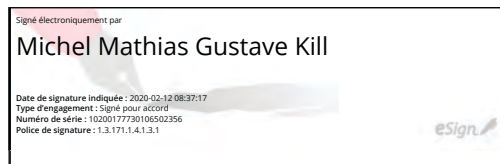


Exhibit 12



Document muni d'une signature électronique qualifiée

Le présent document est établi électroniquement et est muni d'une signature électronique qualifiée par le gestionnaire du registre de commerce et des sociétés de manière à garantir l'authenticité de l'origine et l'intégrité des informations contenues sur ce document par rapport aux informations inscrites ou par rapport aux documents déposés au registre de commerce et des sociétés.



B11142

No : L050072151.1

Déposé le : 10/08/2005

C

C.Tarif : 801

CDD : 0

Nom de la société : **UBS (Luxembourg) S.A.**

Siège social: **36-38 Grand Rue
L- 1660 Luxembourg**

RC Luxembourg: **B 11142**



Repris
N/A

Handwritten initials

Le bilan au 31.12.2004 enregistré à Luxembourg le __ 26.07.2005 __ sous la
référence __ LSO B6/10064 __ a été déposé au Registre du Commerce et des
Sociétés de Luxembourg le __ 03.08.2005 __.

Pour mention aux fins de publication au Recueil Spécial des Sociétés et des
Associations.

Luxembourg, le __ 03.08.2005 __.

UBS (Luxembourg) S.A.

Handwritten signature



M

B11142

10/08/2005

L050072151.01

CASH

Tarif : 801

R

Handwritten marks

30 MAI 2005

Composition du Conseil d'Administration au 31 décembre 2004

1. Arthur Decurtins
General Manager
Member of the Group Managing Board, UBS AG
Président du Conseil d'Administration
Membre du Conseil d'Administration
depuis le 04 juillet 2002
2. Peter Faes
Managing Director, UBS AG
Administrateur
Membre du Conseil d'Administration
depuis le 30 mai 2001
3. Roger H. Hartmann
Managing Director, UBS (Luxembourg) S.A.
Administrateur
Membre du Conseil d'Administration
depuis le 28 mars 2001
4. Alfred E. Zbinden
Managing Director, UBS AG
Administrateur
Membre du Conseil d'Administration
depuis le 4 avril 2003



Membres ayant entamé leurs fonctions au cours de l'année 2004

1. Hans-Karl Held
Managing Director, UBS AG
Membre du Conseil d'Administration
depuis le 14 décembre 2004
2. Stephan Häberle
Managing Director, UBS AG
Membre du Conseil d'Administration
depuis le 14 décembre 2004
3. Franz Witt-Doerring
Managing Director, UBS AG
Membre du Conseil d'Administration
depuis le 14 décembre 2004



B11142

10/08/2005

L050072151.02

CASH

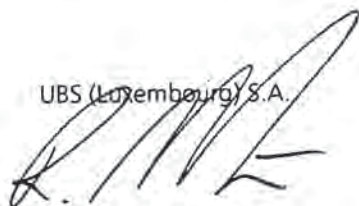
Tarif : 801

R

Membres ayant cessé leurs fonctions au cours de l'année 2004

Néant.

UBS (Luxembourg) S.A.



Roger H. Hartmann
Chief Executive Officer
Managing Director



Alain Hondequin
Head Legal & Compliance
Executive Director

1 2 3 4 5 6 7 8 9 10 11 12



UBS Wealth Management

UBS (Luxembourg) S.A.

Siège Social :
36-38 Grand-Rue
L-1660 Luxembourg



31 mars 2004

Constituée le 20 août 1973 sous la forme juridique d'une société anonyme de droit luxembourgeois sous la dénomination Union de Banques Suisses (Luxembourg) S.A. L'acte de constitution et les statuts ont été publiés au Recueil du Mémorial No. 150 du 30 août 1973.

Les statuts ont été modifiés

- Le 17 décembre 1973 (Mémorial No. 7 du 14 janvier 1974),
- Le 11 mars 1974 (Mémorial No. 74 du 04 avril 1974),
- Le 14 novembre 1975 (Mémorial No. 225 du 28 novembre 1975),
- Le 21 avril 1976 (Mémorial No. 95 du 10 mai 1976),
- Le 10 mars 1980 (Mémorial No. 120 du 11 juin 1980),
- Le 07 mars 1984 (Mémorial No. 89 du 31 mars 1984),
- Le 25 mars 1985 (Mémorial No. 122 du 02 mai 1985),
- Le 12 mai 1986 (Mémorial No. 152 du 09 juin 1986),
- Le 08 mai 1989 (Mémorial No. 258 du 15 septembre 1989),
- Le 18 décembre 1995 (Mémorial No. 89 du 21 février 1996),
- Le 29 mai 1998 (Mémorial No. 469 du 27 juin 1998) Fusion avec la Société de Banque Suisse (Luxembourg) S.A.
- Pas de changements en 1999, 2000, 2001, 2002 et 2003



Les statuts coordonnés à la date du 29 mai 1998 ainsi que la modification des statuts du 29 mai 1998 ont été déposés au greffe du Tribunal d'arrondissement de et à Luxembourg, le 03 juillet 1998.

R.C. Luxembourg No. B 11142

UBS (Luxembourg) S.A.

Roger H. Hartmann
Chief Executive Officer
Managing Director

Alain Hondequin
Head Legal & Compliance
Executive Director



UBS (LUXEMBOURG) S.A.
Société Anonyme

ANNUAL ACCOUNTS
December 31, 2004

and

Report of the Auditor

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10 JUIN 2005

February 3, 2005



Report of the Board of Directors

Review

As a result of our consolidation performed during the year 2003, UBS (Luxembourg) S.A. redefined in 2004 its main business streams into four main pillars:

- the traditional Wealth Management business: this area represents the root of our business in Luxembourg. Our client advisors specialising in advice for clients living in geographical areas such as the Benelux, France, Germany, United Kingdom, Middle-East, Scandinavia or Switzerland are well trained to provide wealth management solutions. In addition, Financial Intermediaries will find at UBS a vast array of products and services to cater for their need. Dedicated services are offered to Financial Intermediaries from Benelux and Switzerland.
- the tailor-made structured solutions for key clients: dedicated solutions are worked out to suit the need of ultra-high net worth individuals. The tailor made solutions include amongst other services personalised SICAV structures and consolidated asset and performance reporting.
- the custodian Bank: performs the custody Bank activities for UBS and third party investment funds booked in Luxembourg and other locations. The longstanding experience and streamlined as well as automated processes enable an efficient processing of securities.
- the service hub: leverages mainly operations and information technology of UBS (Luxembourg) S.A. and makes these services available to other entities of UBS Group. Several services such as Operations and IT are already provided to UBS in Belgium and UBS in Austria on a daily basis.

A healthy balance of priorities and resources allocated to these 4 areas helps to development new activities without jeopardising our well-established business lines.

The year 2004 was marked by a strong growth of our Assets under Management (AuM). The efforts invested in the establishment of tailor-made solutions for key clients over the last years brought large inflow of new business from all over Europe to our Bank. From 2001 to 2004, our AuM have substantially grown. The increase within such a short time period is not neutral, and the investment undertaken in October 2003 into our IT platform upgrade was obviously a good choice. The final changes will be performed until second quarter 2005.

It was also the good timing to put in place in August 2004 a brand new Risk Control unit. Not only do we need to be more aware and careful towards various risks in period of sustained growth, but the regulatory environment forces us also to adapt our resources to much more challenging processes. Moving into the same direction, the Board of Directors of UBS (Luxembourg) S.A. decided in November 2004 to proceed to the hiring of a Chief Financial Officer (CFO), a new bracket function in Luxembourg, which will allow us to have a better grip over the functions very much concerned by all the regulatory



issues (Risk, Credit Risk, Compliance, Accounting). After a relatively strict cost control established by UBS AG in Switzerland over all locations worldwide from 2003 to mid-2004, we were able to hire again in the market in order to better adapt our capacity to the clients needs.

After a "quiet" 2003, 2004 brought us the opportunity to acquire selected clients from American Express Bank in Luxembourg. Signed in November 2004, the deal enabled us to bring over USD 266 mio of assets and three staff in charge of the client relationship management. Migration to our platform was finalised in January 2005. We strongly believe that further opportunities will arise for our Bank within the next couple of years. During the first half of 2004, UBS (Luxembourg) S.A. Austrian branch acquired Austrian based clients from Merrill Lynch Private Banking in Germany.

In order to further strengthen our market presence in the Wealth Management business, we hired in November 2004 from UBS in Germany a new head of the Markets. We are convinced that such a full-time co-ordination will allow us to reach in the near future much more challenging ambition levels, and give us the opportunity to develop new pockets of opportunities.

Our group companies followed the expected growth track. UBS Belgium SA/NV experienced a strong growth in assets under management. The increased client base proved our strategy to service the Belgian market through a physical presence being the right one. UBS (Luxembourg) S.A. Austrian branch has had its first full year in operation in 2004. The focus has been to obtain good brand recognition and to expand our client base.

The Euromoney survey on Private Banking named UBS (Luxembourg) S.A. "Best Private Bank" in 2004 in Luxembourg and Austria.

On December 31, 2004, UBS (Luxembourg) S.A., including UBS Belgium SA/NV and UBS (Luxembourg) S.A. Austrian Branch, employed a total of 397 people. The business growth in Belgium and the expansion of our entity in Austria mainly drove the staff increase by 51 new hires in 2004. UBS (Luxembourg) S.A. itself witnessed a low turnover in headcount although selective hiring was conducted to support our growth in some areas.

As of December 31, 2004, the Bank has not acquired any of its own shares.

Profit and Loss Account

In the year 2004, total net revenues amounted to CHF 229,4 million, compared with CHF 215.1 million in 2003. Commissions and fees contributed a large portion to overall revenues. Interest net revenue increased by 55%, whereas profit on financial operations decreased by 11% due to lower foreign exchange volume caused by less volatility in the markets. In 2004, general administrative expenses increased from CHF 71.5 million in 2003 to CHF 84.9 million as a consequence of the increase in headcounts in Austria and Luxembourg. After deduction of operating expenses and taxes, net profit amounted to CHF 108.9 million (compared to CHF 120.6 million in the previous year).

While CHF 109 million of the combined net profit and profit brought forward will be transferred to reserves, the remaining CHF 0.2 million will be carried forward.

Balance Sheet

Client asset inflow and additional short-term loans granted to third parties, led to a balance sheet increase by 30% during 2004.

Unlisted shares decreased from CHF 5.2 million in 2003 to CHF 1.1 million as of end December 2004.

In December 2004 a capital release of EUR 1.5 million was paid to our subsidiary UBS Belgium SA/NV and thus our total participation amounts to EUR 15.8 million.

Liabilities from customers increased by CHF 2.2 billion. In direct relation to customer loans, the Bank issued bond structures close to CHF 700.0 millions in the year 2004. The 2000 and 2001 tax-liability payment lead to a reduction of the provisions from CHF 72.0 million to CHF 7.4 million.



As of 31 December 2004, the Bank's subscribed capital and reserves stood at CHF 317.6 million. In 2004, the Bank paid dividends for the year 2003 amounting to CHF 121.0 millions. After the 31 December 2004 year end, no significant events took place, except the purchase of the private banking activities of American Express (Luxembourg) S.A. as of end of January 2005 by UBS (Luxembourg) S.A..

Off – Balance Sheet

The fiduciary transactions decreased from 4.4 billion CHF as of December 2003 to 3.2 billion CHF as of December 2004.

Proposal of the Board of Directors to the General Meeting

The Board of Directors proposes that the financial statements for 2004 be approved and that the amount of CHF 109 million available to the General Meeting be appropriated as follows:

- Net profit according to Profit and Loss Account	CHF	108.917.917
- Profit brought forward from previous year	CHF	319.747
	CHF	109.237.664

Proposed allocation:

- Distribution to reserves	CHF	109.000.000
- Profit to be carried forward	CHF	237.664
	CHF	109.237.664

Risk Management

In August 2004, UBS (Luxembourg) S.A. has established a formal Risk Control Department and appointed a head Risk Control to monitor the risks of the banking group in Luxembourg as well as in Belgium and in Austria. The risk control departments heads the Risk Management Committee. This committee consists of representatives of all major departments and meets on a quarterly basis. It has the responsibility to review the risk exposure and to take corrective action if necessary. Checks, limits and controls have been put in place to control the Bank on a daily basis. A complete set of policies regulates the businesses the Bank conducts. These policies include a risk policy approved by the Board of Directors and a related limit framework.

The compliance function has been established within UBS several years ago. The department ensures adherence to local law and regulations.

Credit Risk

In its credit business, UBS (Luxembourg) S.A. maintains a strict policy in selecting its various credit counter parties. All credits are granted in accordance with this approved policy.

Lombard loans are secured by assets pledged in favour of the Bank. Pledged assets always require a market value in excess of the Bank's commitment. The lending value assigned to client assets is re-valued daily and margin calls are initiated when required. The Bank also performs securities lending operations for investment funds and large customers by acting as an agent.

The Bank may also grant international credit facilities in which case there is generally no requirement for collateral. Commitments towards UBS Group entities represent a significant part of the total credit



business. Close to 90% of the credit portfolio value is made up of investment grade counter parties or are hedged out. Commitments to counter parties with risk potential are properly provisioned.

All drawings and payments are based on the four-eyes principle. The limits for each credit facility are set in the system and an independent department carries out regular credit monitoring to ensure proper segregation of duties. The latter department also reviews counter parties on a regular basis to enable early warning.

Market Risks

The main activities of UBS (Luxembourg) S.A. are Private Banking and Custodian Services. The Bank has limited exposure, as it does not actively manage own securities portfolios, nor is the Bank engaged in short selling of securities.

The main task of the trading desk is to handle execution of client orders. The Bank deals in all financial products requested by clients and matches respective product with the approved brokers. A small business inventory limit is in place to enable a minimal handling room for the daily flows.

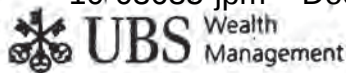
The Bank has no actively managed proprietary trading book. As such, the Bank does not enter into bond or equity trading, nor does it have any substantial precious metal positions. The securities portfolio held at the Bank is insignificant and consists only of a few bond and equity positions. The Bank's securities portfolio is adequately provisioned reflecting management's perception of ultimate recoverability. The Treasury department of UBS (Luxembourg) S.A. manages the Asset & Liability risks and the liquidity risk of the Bank. Due to the limited sensitivity and value-at-risk (VaR) limits available to UBS (Luxembourg) S.A., money market and foreign exchange exposures are refinanced/hedged with UBS AG. As of December 31, 2004, the Board of Directors had an approved sensitivity limit of CHF 35'000 per basis point and a value-at risk-limit of CHF 5 million. As of December 31, 2004, the utilisation of the sensitivity limit was CHF 24'500 per basis point and CHF 618'000 for the value-at-risk limit. The sensitivity and value-at-risk limits are part of the global UBS limit framework and are controlled daily on a local and group wide basis. The limits were never exceeded in 2004. As a matter of principle, no derivative instruments are used for proprietary trading or leveraging purposes. The Bank only engages in OTC transactions to hedge foreign exchange or interest rate risks. All OTC transactions are executed through UBS AG. The sole purpose of derivatives held by UBS (Luxembourg) S.A. is to cover derivative transactions made by the Bank on behalf of its clients and to hedge interest rate risks.

Operational Risk

Operational risk is inherent to the Bank's daily business as asset management and securities custody services are its main activities. As a rule, security trades are done on a delivery versus payment basis to limit settlement and counter party risk. Processes have been automated to reduce manual intervention, but since it cannot be fully eliminated, all operations are subject to the four-eyes principle where one employee is responsible for the input and another one for the validation. The operational risks have been identified and are monitored regularly through the use of a control tool. By doing so the major risks are tracked and any unwanted exposure is tackled in a timely manner. When operational errors do occur and gains or losses are generated, these cases are examined and documented. Processes to mitigate similar future errors are then implemented. Both business continuity and disaster recovery plans exist within the Bank.

The portfolio management department offers traditional discretionary services and clients can opt among six different risk profiles in various reference currencies. The investment process is structured in such a way that every client with a certain risk profile and a specific currency carries the same assets. To ensure consistency, the investments of each portfolio are independently controlled on a regular basis.

Revenues are principally generated from commissions and interest income. To further reduce the volatility of the commission revenues and to be less dependent on market movements UBS (Luxembourg) S.A. continued in 2004 to increase the proportion of assets remunerated through



advisory-based fees. During 2004, the liquidity ratio of the Bank remained stable and ended up with 73% as of December 31, 2004 (This ratio exceeds the required minimum of 30%).

Group Companies of UBS (Luxembourg) S.A.

The risk framework of both entities, UBS Belgium SA/NV and UBS (Luxembourg) S.A. Austrian Branch, is based on the same standards as those applicable to UBS (Luxembourg) S.A. Both entities have implemented a properly working Risk Management Committee supervised by our Risk Control Department. UBS Belgium SA/NV and UBS (Luxembourg) S.A. Austrian Branch have their treasury operations carried out by UBS in Luxembourg. Neither UBS Belgium SA/NV nor UBS (Luxembourg) S.A. Austrian Branch engaged in proprietary trading over 2004.

Outlook

Based on the refocused strategy worked out during 2004 and the strengthened management capabilities, UBS (Luxembourg) S.A. has set the basis to further fortify our Luxembourg banking operation in order to continue to achieve outstanding results. The focused business development along the business streams defined will enable us to grow in profitable market segments and enable to fulfil our long term commitment towards our shareholders, employees and the financial place in Luxembourg.

Our client centric model will be further developed to allow us to be focused on the evolving needs of our clients and ensure timely implementation of client solutions. The four-step advisory process as implemented by UBS world wide allows the Bank, together with our clients, to establish a tailor-made solution to suit the very specific needs of each individual by analysing the needs, working out and implementing investment proposals & solutions and regularly reviewing the results achieved towards the defined objectives.

Our group companies in Belgium and Austria are expected to gain additional market shares in 2005 and start to contribute even more to the results of UBS (Luxembourg) S.A.

Timely implementation of changing regulatory and legal requirements will as in the past be a topic requiring our highest attention. As per July 2005, UBS (Luxembourg) S.A. will have implemented the requirements of the European Savings Directive. The implementation of the Basel II accord on capital requirement will be implemented at UBS (Luxembourg) S.A. on January 2006.

The Board of Directors and the Executive Board members of UBS (Luxembourg) S.A. wish to take this opportunity to thank our clients for their loyalty and continuing support as well as all staff members for their excellent performance in 2004.

Handwritten signature of Arthur Decurtins.

Arthur Decurtins
Chairman of the Board
UBS (Luxembourg) S.A.

Handwritten signature of Roger H. Hartmann.

Roger H. Hartmann
Member of the Board and Chief Executive Officer
UBS (Luxembourg) S.A.



■ Ernst & Young
Société Anonyme

Réviseurs d'entreprises
Experts-Comptables

Siège social:
7, Parc d'Activité Syrdall
L-5365 Munsbach

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L-2017 Luxembourg

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www.ey.com/luxembourg



AUDITOR'S REPORT

The Board of Directors
UBS (Luxembourg) S.A.
Luxembourg

Following our appointment by the Board of Directors, we have audited the accompanying annual accounts of UBS (Luxembourg) S.A. for the year ended December 31, 2004 and have read the related report of the Board of Directors. These annual accounts and the report of the Board of Directors are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these annual accounts based on our audit and to check that the report of the Board of Directors is consistent with the annual accounts.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors, as well as evaluating the overall annual accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying annual accounts give, in conformity with Luxembourg legal and regulatory requirements, a true and fair view of the financial position of UBS (Luxembourg) S.A. as at December 31, 2004 and of the results of its operations for the year then ended.

The report of the Board of Directors is consistent with the annual accounts.

ERNST & YOUNG
Société Anonyme
Réviseur d'entreprises

Christoph Haas

Luxembourg, February 3, 2005

Bureaux:

7, Parc d'Activité Syrdall
L-5365 Munsbach

6, rue Jean Monnet
L-2180 Luxembourg 1



LIABILITIES	2004	2003
Amounts owed to credit institutions (Note 3, 8)	742,527,400	764,553,654
a) repayable on demand	391,872,320	32,227,611
b) with agreed maturity dates or periods of notice (Note 8)	350,655,080	732,326,043
Amounts owed to customers (Note 3, 8)	8,971,970,472	6,708,517,956
Other debts		
a) repayable on demand	4,828,812,006	2,540,759,471
b) with agreed maturity dates or periods of notice (Note 8)	4,143,158,466	4,167,758,485
Debts evidenced by certificates (Notes 3, 8)	2,187,004,580	1,462,579,580
Debt securities in issue	37,154,580	37,154,580
Bonds issued	2,149,850,000	1,425,425,000
Other liabilities (Note 9)	7,905,783	9,625,576
Accruals and deferred income	74,200,234	60,153,616
Provisions for liabilities and charges	19,901,188	85,195,447
a) Provisions for taxation	7,446,583	72,182,350
b) Other provisions (Notes 10, 15)	12,454,605	13,013,097
Shareholders' equity (Note 13)	426,877,663	438,959,746
a) Subscribed capital (Note 11)	150,000,000	150,000,000
b) Reserves (Note 12)	167,640,000	167,640,000
c) Profit brought forward (Note 13)	319,746	764,122
d) Profit for the financial year	108,917,917	120,555,624
Total Liabilities	12,430,387,320	9,529,585,575
OFF-BALANCE SHEET		
Contingent liabilities (Notes 3, 15)	82,709,769	133,114,529
of which:		
- Guarantees and assets pledged as collateral security	82,709,769	133,114,529
Commitments (Note 15)	168,236,194	135,240,301
Fiduciary transactions	3,151,902,747	4,391,114,113

BALANCE SHEET

December 31, 2004

(expressed in Swiss francs)

ASSETS	2004	2003
Cash, balances with central banks and post Office banks	232,230,837	172,578,059
Loans and advances to credit institutions (Notes 3, 4)	9,635,587,771	7,601,003,886
a) repayable on demand	1,935,283,364	215,097,680
b) with agreed maturity dates or periods of notice (Note 4)	7,700,304,407	7,385,906,206
Loans and advances to customers (Notes 3, 4)	2,418,296,630	1,621,462,491
Debt securities and other fixed-income transferable securities (Note 5)	0	3,750
a) issued by credit institutions	0	3,750
Shares and other variable-yield securities (Notes 3, 5)	1,109,946	5,593,046
Shares in affiliated undertakings (Notes 3, 6)	24,450,030	22,366,219
Intangible assets (Note 6)	6,328,355	0
Tangible assets (Note 6)	34,927,957	37,452,054
Other assets (Note 7)	9,479,298	8,660,344
Prepayments and accrued income	67,976,496	60,465,726
Total Assets	12,430,387,320	9,529,585,575

The accompanying notes form an integral part of the annual accounts

PROFIT AND LOSS ACCOUNT

For the financial year ended

December 31, 2004

(expressed in Swiss francs)

CHARGES	2004	2003
Interest payable and similar charges	252,582,277	192,533,596
Commission payable	16,145,235	13,846,818
General administrative expenses	84,912,841	71,521,660
a) Staff costs	61,014,262	48,764,906
<i>of which: - wages and salaries</i>	49,096,639	39,239,903
<i>- social security costs</i>	6,011,092	4,900,215
<i>of which: relating to pensions</i>	3,453,080	3,502,954
b) Other administrative expenses	23,898,579	22,756,754
Value adjustments in respect of tangible and intangible assets	4,957,411	3,111,396
Other operating charges (Note 16)	795,720	277,895
Value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	0	3,340,214
Value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	3,090	—
Tax on profit on ordinary activities (Note 16)	29,810,000	34,067,584
PROFIT ON ORDINARY ACTIVITIES AFTER TAX	108,917,917	120,555,624
Extraordinary result	—	—
Tax on extraordinary result	—	—
Other taxes not shown under the preceding items	—	—
Profit for the financial year	108,917,917	120,555,624
	498,124,491	439,254,787

The accompanying notes form an integral part of the annual accounts.



INCOME	2004	2003
Interest receivable and similar income	284,981,786	213,473,497
a) Income from debt securities and other fixed-income securities	0	15,206
Income from securities	1,400	812,436
a) Income from shares and other variable-yield securities	1,400	812,436
Commission receivable	187,555,225	165,021,260
Net profit on financial operations	20,529,704	23,055,550
Value re-adjustments in respect of loans and advances and provisions for contingents liabilities and commitments	0	17,767,303
Value re-adjustment in respect of transferable securities	100	22,400
Other operating income (Note 16)	3,878,101	6,852,341
Income from the reversal of amounts included in the fund for general banking risks	1,178,175	12,250,000
	498,124,491	439,254,787



NOTES TO THE ACCOUNTS

December 31, 2004

NOTE 1 - GENERAL

Union de Banques Suisses (Luxembourg) S.A. was incorporated as a "société anonyme" in the Grand-Duchy of Luxembourg on August 20, 1973. On May 29, 1998 as a consequence of the worldwide group merger process, Union de Banques Suisses (Luxembourg) S.A. and Swiss Bank Corporation (Luxembourg) S.A. decided to merge. Union de Banques Suisses (Luxembourg) S.A. absorbed Swiss Bank Corporation (Luxembourg) S.A., which became retroactively effective from an accounting point of view on January 1, 1998. The merged entity changed its name to UBS (Luxembourg) S.A. ("the Bank").

As of August 31, 2002, the merger between UBS (Luxembourg) S.A. as absorbing company and Banque Ferrier Lullin (Luxembourg) S.A. as absorbed company became effective. From an accounting point of view, this merger took effect as of January 1, 2002.

The Bank has opened a branch in Vienna, Austria in May 2003.

The main activities of the Bank are wealth management, investment advice and custodian bank services.

Consolidation

The Bank is a wholly owned subsidiary of UBS AG, which is incorporated in Switzerland. In accordance with Article 82 of the Law of June 17, 1992, the Bank is exempt from the requirement to draw up consolidated accounts and a consolidated management report. The consolidated accounts of UBS AG are available from UBS AG, P.O. Box, CH-8098 Zurich, Switzerland.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual accounts are prepared in accordance with Luxembourg legal and regulatory requirements.

The significant accounting policies applied by the Bank are as follows:

Foreign currencies

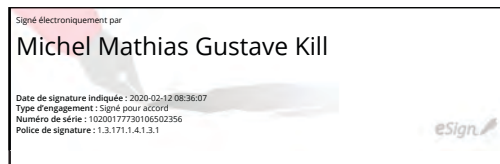
The Bank maintains a multicurrency accounting system, as a result of which assets and liabilities are recorded in the currencies in which they are denominated.

For the preparation of the annual accounts, amounts in foreign currencies are translated into Swiss francs on the following bases:



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Nom de la société : **UBS (Luxembourg) S.A.**

Siège social: **36-38 Grand Rue
L- 1660 Luxembourg**

RC Luxembourg: **B 11142**

M

B11142

02/06/2006

CASH

L060050288.01

Tarif : 801 R

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Le bilan au 31.12.2005 enregistré à Luxembourg le __ 31.05.2006 __ sous la
référence __LSO BO/09551__ a été déposé au Registre du Commerce et des
Sociétés de Luxembourg le __02.06.2006__.

Pour mention aux fins de publication au Recueil Spécial des Sociétés et des
Associations.

Luxembourg, le __02.06.2006__

UBS (Luxembourg) S.A.

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B11142

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Tarif : 801

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UBS (LUXEMBOURG) S.A.
Société Anonyme



ANNUAL ACCOUNTS
December 31, 2005
and
Report of the Board of Directors
and
Report of the Independent Auditor

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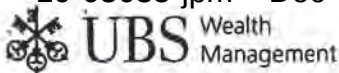
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March 29, 2006

Report of the Board of Directors

Review

The year 2005 was a successful year for our clients, our employees and our shareholders. Our holistic client centric advisory process as well as our extensive range of financial products and engineering capability enabled our clients to best benefit from the favourable financial markets. During 2005, UBS (Luxembourg) S.A. accelerated further the growth in new client assets and substantially increased the assets under custody. The success of UBS has led the bank to adapt its structure. In this respect, UBS (Luxembourg) S.A. evolves in two ways. First, UBS has strengthened the management capacity while appointing several senior leaders and reorganising the various areas of management. Further, UBS has substantially increased personnel to deliver a continued outstanding service and ensure adequate controls. Thanks to a tight cost management and increased revenues, the profitability of the bank progressed further.

The growth UBS (Luxembourg) S.A. is experiencing has impacted all four main activities. These activities summarised in the "Four Pillar-Strategy" of UBS in Luxembourg encompass the Traditional Wealth Management, the Key Client Offering, the Custodian Bank activities and the Service Hub.

In 2005, the Traditional Wealth Management area concluded its first year under the management of a full time Market Head. The increased and focused attention led to client asset expansion for both, Private Clients and the Financial Intermediary segment. The private client growth took place in most markets serviced out of Luxembourg. The integration of selected clients of American Express Bank (Luxembourg) S.A. has been completed during the first half of 2005. In addition to servicing mainly Financial Intermediaries from Luxembourg and Switzerland, Financial Intermediaries from Holland have been added to our client portfolio.

Tailor-made structured solutions for major Key Clients helped UBS in Luxembourg to consolidate its position in the area of ultra-high net worth clients. The service provided includes personalised SICAV structures and consolidated performance and asset reporting. In 2005, first clients investing their assets into the new and promising SICAR structures have been serviced.

The Custodian Bank function increased the custodian banking assets for UBS and third party investment funds substantially. The revenues generated from this business contribute further to a stable and consistent revenue stream for UBS (Luxembourg) S.A.. A review of selected areas conducted in Operations confirmed the operational efficiency of the back-office tasks carried out.

In the area of services offered to other UBS group entities, UBS (Luxembourg) S.A. established a banking operation in Dublin, Ireland. UBS (Luxembourg) S.A. Dublin branch is a small bank dedicated to offering UBS Global Asset Management custody and trustee services for Investment Funds domiciled in Ireland. The opening of the new branch took place on December 8, 2005. The two UBS (Luxembourg) S.A. group companies established in 2002 and 2003 followed their forecasted development path. Both, UBS Belgium SA/NV and UBS (Luxembourg) S.A. Austrian branch, grew their business during the year. The profitability development of these two start-up companies is favourable. Further effort is being made in Luxembourg and locally to continue to support the growth of these two entities.



In order to continue to provide our high quality services despite the substantial increase in banking activities delivered out of UBS (Luxembourg) S.A., management capabilities have been continuously expanded. Following a decision of the Board of Directors, UBS (Luxembourg) S.A. appointed beginning 2005 a dedicated Chief Financial Officer (CFO). The CFO leads the accounting & controlling, legal & compliance, risk and credit risk control areas of the Bank. The newly appointed Market Head co-ordinates and leads private clients and financial intermediary markets. In 2006, the new Chief Operating Officer (COO) position has been established. The COO is responsible for the well functioning of the Operations and IT areas. This new management structure of the Bank will enable UBS (Luxembourg) S.A. to further grow the business in the years to come.

To deliver the service needed, UBS (Luxembourg) S.A. increased the number of employees in 2005 by over 20% to reach 361 full time equivalents in Luxembourg. To accommodate the increased number of employees and to demonstrate the commitment of UBS to Luxembourg, the decision has been taken to relocate all employees into one single building. The employees of UBS (Luxembourg) S.A. and UBS Fund Services (Luxembourg) S.A. are due to be transferred to the Plateau of Kirchberg area in the second half of 2007. This pooling of resources from currently six buildings into one will allow UBS to further develop synergies and better serve its clientele.

On the legal and regulatory side, two main changes in fiscal law attracted our attention. First of all, the implementation as per July 1, 2005 of the European Savings Directive and, secondly, the implementation of the withholding tax on interest income for Luxembourg residents as per January 1, 2006.

Following the Euromoney Award in 2004, UBS (Luxembourg) S.A. has again been nominated "Best Private Bank" of the Grand-Duchy in 2005.

Profit and Loss Account

In the year 2005, total net revenues amounted to CHF 292,6 million, compared to CHF 229,4 million in 2004. Commissions and fees contributed a large portion to overall revenues. Interest net revenue increased by 52 % and profit on financial operations increased by 7% due to higher foreign exchange volume caused by more volatility in the markets. In 2005, general administrative expenses increased from CHF 84,9 million in 2004 to CHF 101,9 million as a consequence of the increase in headcounts in Austria and Luxembourg. After deduction of operating expenses and taxes, net profit amounted to CHF 142,5 million (compared to CHF 108,9 million in the previous year). This corresponds to an increase of net profit of 31% compared to last year.

While CHF 142,5 million of the combined net profit and profit brought forward will be transferred to reserves, the remaining CHF 0,3 million will be carried forward.

Balance Sheet

Client asset inflow and additional short-term loans granted to third parties, led to a balance sheet increase of 52 % during 2005.

Unlisted shares decreased from CHF 1,1 million in 2004 to CHF 0,8 million as of December 31, 2005.

In March 2005, a capital release of EUR 1,0 million was paid to our subsidiary UBS Belgium SA/NV and thus, our total participation amounts to EUR 16,83 million. The total subscribed capital of UBS Belgium SA/NV has now been entirely paid in (EUR 17 Mio).

Liabilities from customers increased by CHF 3,2 billion. In direct relation to customer loans, the Bank issued bond structures close to CHF 2,0 billion in the year 2005.

As of 31 December 2005, the Bank's subscribed capital and reserves stood at CHF 317,6 million. In 2005, the Bank paid dividends for the year 2004 amounting to CHF 109,0 millions. After the 31 December 2005 year-end, no significant events took place.



As of December 31, 2005, the Bank has not acquired any of its own shares.

Off – Balance Sheet

The fiduciary transactions decreased from CHF 3,2 billion as of December 2004 to CHF 2,2 billion as of December 2005.

Proposal of the Board of Directors to the General Meeting

The Board of Directors proposes that the financial statements for 2005 be approved and that the amount of CHF 142 million available to the General Meeting be appropriated as follows:

- Net profit according to Profit & Loss Account	CHF	142.534.570
- Profit brought forward from previous year	CHF	237.664
	CHF	142.772.234

Proposed allocation:

- Distribution to reserves	CHF	142.500.000
- Profit to be carried forward	CHF	272.234
	CHF	142.772.234

Risk Management

The various risks of the Bank are monitored through a Risk Control Committee consisting of representatives of all major departments. This committee, which meets on a quarterly basis, has the responsibility to review risk exposure and to take corrective action if necessary. Checks, limits and controls have been put in place to control the Bank on a daily basis, according to the Risk Management and control principles set-up by the UBS Group. A complete set of policies regulates the businesses conducted by the Bank. These policies include a risk policy approved by the Board of Directors and a related limit framework. Furthermore, all risks (excluding credit, legal & compliance risks) are also monitored by the risk control department and a risk charter, explaining the monitoring functions of this department, has also been published.

Liquidity and funding risks

During 2005, the liquidity ratio of the Bank slightly decreased from 73,4% as of December 31, 2004 to 72,9% as of December 31, 2005 (this ratio exceeds the required minimum of 30%).

The capital adequacy ratio was always above 10% except in June 2005, where it decreased to 8% due to the repayment of a dividend to UBS AG (the minimum regulatory limit). In order to comply with this ratio and to support the growth of the Bank, two subordinated loans have been received from UBS AG in July and September 2005 for CHF 120 million and CHF 50 million. An additional subordinated loan of CHF 225 million has been drawn in December 2005 in order to finance the acquisition of a perpetual bond.

Credit risk

In its credit business, the Bank maintains a strict policy in selecting its various credit counter parties. All credits are granted in accordance with this approved policy.

Lombard loans are secured by assets pledged in favour of the Bank. Pledged assets always require a lending value in excess of the Bank's commitment. The lending value assigned to client assets is re-valued daily and margin calls are initiated when required. The Bank also performs securities lending operations for investment funds and large customers by acting as an agent.



Commitments towards UBS Group entities represent a significant part of the total credit business.

All drawings and payments are based on the four-eyes principle. The limits for each credit facility are set in the system and an independent department carries out regular credit monitoring to ensure proper segregation of duties. The latter department also reviews counter parties on a regular basis to enable early warning.

Market risk

The Bank has limited exposure, as it does not actively manage own securities portfolios, nor is the Bank engaged in short selling of securities and has very limited FX and interest rate limits.

The main task of the trading desk is to handle execution of client orders. The Bank deals in all financial products requested by clients and matches respective product with the approved brokers. A small business inventory limit is in place to enable a minimal handling room for the daily flows.

The Bank has no actively managed proprietary trading book. As such, the Bank does not enter into bond or equity trading, nor does it have any precious metal positions. The securities portfolio held at the Bank is insignificant and consists only of a few bond and equity positions. The treasury department of the Bank manages the asset & liability risks and the liquidity risk of the Bank. Due to the limited FX, sensitivity and value-at-risk (VaR) limits available to the Bank, almost all money market and foreign exchange exposures are refinanced/hedged with UBS AG.

As of 31 December 2005, the Board of Directors had an approved sensitivity limit of CHF 35,000 per basis point and a value-at-risk limit of CHF 2 million. As of 31 December 2005, the utilisation of the sensitivity limit was CHF 24,886 per basis point and CHF 216,000 for the value-at-risk limit. The sensitivity and value-at-risk limits are part of the global UBS limit framework and are controlled daily on a local and group wide basis. The limits were never exceeded in 2005. The Bank has also a small FX spot limit of CHF 3 million intra-day and CHF 1,5 million overnight (limited to single currency positions of EUR 200,000,-). These positions are daily monitored by the risk control department and all overdrafts must be explained to them. As a matter of principle, no derivative instruments are used for proprietary trading or leveraging purposes. The Bank only engages in OTC transactions to hedge foreign exchange or interest rate risks. Almost all OTC transactions are executed through UBS AG. The sole purpose of derivatives held by the Bank is to cover derivative transactions made by the Bank on behalf of its clients and to hedge interest rate risks.

Operational risk

Operational risk is inherent to the Bank's daily business as asset management and securities custody services are one of its main activities. As a rule, security trades are done on a delivery versus payment basis to limit settlement and counter party risk. Processes have been automated to reduce manual intervention, but since it cannot be fully eliminated, most operations are subject to the four-eyes principle where one employee is responsible for the input and another one for the validation. The operational risks have been identified and are monitored regularly through the use of a control tool. By doing so, the major risks are tracked and any unwanted exposure is tackled in a timely manner. When operational errors do occur and gains or losses are generated, these cases are examined and documented. Processes to mitigate similar future errors are then implemented.

Both, business continuity and disaster recovery plans exist within the Bank. The business continuity plan has been tested in 2005 and the results were very positive.

Legal and liability risks

All legal and liability risks identified in 2005 are properly provisioned.

Subsidiaries and branches of UBS (Luxembourg) S.A.

In December 2005, UBS (Luxembourg) S.A. has had three operational banking units.



The risk framework of all subsidiaries / branches, UBS Belgium SA/NV, UBS (Luxembourg) S.A. Austrian branch and UBS (Luxembourg) S.A. Dublin Branch is based on the same standards as those applicable to the Bank. Both UBS Belgium SA/NV and UBS (Luxembourg) S.A. Austrian branch have implemented a properly working Risk Control Committee. This committee has not been implemented for UBS (Luxembourg) S.A. Dublin Branch in 2005 because it just started its activities at year-end. UBS Belgium SA/NV and UBS (Luxembourg) S.A. Austrian branch have their treasury operations carried out by the Bank in Luxembourg. Both entities have small FX spot and sensitivity limits (respectively a FX spot limit of EUR 300.000,- and CHF 400.000,- and a sensitivity limit of CHF 500,- per basis points for each entity). These limits are monitored on a daily basis.

Outlook

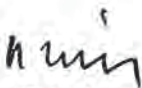
Following the completion of the new management team in January 2006, UBS (Luxembourg) S.A. is due to review its strategic goals in light of the continued growth. Main priorities are to develop areas where UBS can add most value to clients. Among the objectives foreseen is the further development of our Private Client and FIM business as well as the improvement of services offered to third party through our Custodian Bank.

Our services to Key Clients are expected to attract additional new clients and lead to further tailor made solutions.

The three UBS (Luxembourg) S.A. group companies have established solid growth plans to continue developing their respective businesses in 2006.

In addition to our important client business, major focus is put on implementation of legal and regulatory requirements on a timely basis.

The Board of Directors and the Executive Board members of UBS (Luxembourg) S.A. wish to thank all our clients for their trust and loyalty in 2005 and the employees for their dedication and excellent contribution.



Arthur Decurtins
 Chairman of the Board
 UBS (Luxembourg) S.A.



Roger H. Hartmann
 Member of the Board and Chief Executive Officer
 UBS (Luxembourg) S.A.



■ Ernst & Young
Société Anonyme

Réviseurs d'entreprises
Experts-Comptables

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AUDITOR'S REPORT

The Board of Directors
UBS (Luxembourg) S.A.
Luxembourg

Following our appointment by the Board of Directors, we have audited the accompanying annual accounts of UBS (Luxembourg) S.A. for the year ended December 31, 2005 and have read the related report of the Board of Directors. These annual accounts and the report of the Board of Directors are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these annual accounts based on our audit and to check that the report of the Board of Directors is consistent with the annual accounts.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors, as well as evaluating the overall annual accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying annual accounts give, in conformity with Luxembourg legal and regulatory requirements, a true and fair view of the financial position of UBS (Luxembourg) S.A. as at December 31, 2005 and of the results of its operations for the year then ended.

The report of the Board of Directors is consistent with the annual accounts.

ERNST & YOUNG
Société Anonyme
Réviseur d'entreprises

Christoph Haas

Luxembourg, March 23, 2006

Bureaux:

7, Parc d'Activité Syrdall
L-5365 Munsbach

6, rue Jean Monnet
L-2180 Luxembourg

06-06-2006



LIABILITIES

2005

Amounts owed to credit institutions (Note 3, 8)

1,349,965,384

- a) repayable on demand
- b) with agreed maturity dates or periods of notice (Note 8)

525,915,805
824,049,579

391,872,320
350,655,080

Amounts owed to customers (Note 3, 8)

12,172,356,821

8,971,970,472

Other debts

- a) repayable on demand
- b) with agreed maturity dates or periods of notice (Note 8)

6,028,238,358
6,144,118,463

4,828,812,006
4,143,158,466

Debts evidenced by certificates (Notes 3, 8)

4,208,931,668

2,187,004,580

Debt securities in issue Bonds issued

0
4,208,931,668

37,154,580
2,149,850,000

Other liabilities (Note 9)

26,885,964

7,905,783

Accruals and deferred income

273,932,304

74,200,234

Provisions for liabilities and charges

22,667,187

19,901,188

- a) Provisions for taxation
- b) Other provisions (Notes 10, 16)

18,225,708
4,441,479

7,446,583
12,454,605

Subordinated liabilities (Note 11)

395,000,000

0

Shareholders' equity (Note 13)

460,412,234

426,877,663

- a) Subscribed capital (Note 12)
- b) Reserves (Note 13)
- c) Profit brought forward (Note 14)
- d) Profit for the financial year (Note 14)

150,000,000
167,640,000
237,664
142,534,570

150,000,000
167,640,000
319,746
108,917,917

Total Liabilities

18,910,151,562

12,430,387,320

OFF-BALANCE SHEET

Contingent liabilities (Notes 3, 16)

91,355,095

82,709,769

of which:

- Guarantees and assets pledged as collateral security

91,355,095

82,709,769

Commitments (Note 16)

0

168,236,194

Fiduciary transactions

2,247,214,472

3,151,902,747

BALANCE SHEET

December 31, 2005

(expressed in Swiss francs)

ASSETS	2005	2004
Cash, balances with central banks and Post Office banks	277,155,505	232,230,837
Loans and advances to credit institutions (Notes 3, 4)	13,809,801,341	9,635,587,771
a) repayable on demand	2,315,652,025	1,935,283,364
b) with agreed maturity dates or periods of notice (Note 4)	11,494,149,316	7,700,304,407
Loans and advances to customers (Notes 3, 4)	4,234,209,301	2,418,296,630
Debt securities and other fixed-income transferable securities (Note 5)	225,000,000	0
a) issued by credit institutions	225,000,000	0
Shares and other variable-yield securities (Notes 3, 5)	834,678	1,109,946
Shares in affiliated undertakings (Notes 3, 6)	26,194,005	24,450,030
Intangible assets (Note 6)	11,748,335	6,328,355
Tangible assets (Note 6)	33,641,767	34,927,957
Other assets (Note 7)	26,530,670	9,479,298
Prepayments and accrued income	265,035,960	67,976,496
Total Assets	18,910,151,562	12,430,387,320

The accompanying notes form an integral part of the annual accounts

PROFIT AND LOSS ACCOUNT

For the financial year ended

December 31, 2005

(expressed in Swiss francs)

CHARGES	2005	2004
Interest payable and similar charges	546,691,790	252,582,277
Commission payable	20,180,648	16,145,235
General administrative expenses	101,933,033	84,912,841
a) Staff costs	74,005,361	61,014,262
of which: - wages and salaries	61,733,560	49,096,639
- social security costs	7,149,860	6,011,092
of which: relating to pensions	5,313,444	3,453,080
b) Other administrative expenses	27,927,672	23,898,579
Value adjustments in respect of tangible and intangible assets	7,120,108	4,957,411
Other operating charges (Note 17)	1,168,864	795,720
Value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	0	0
Value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	0	3,090
Tax on profit on ordinary activities (Note 17)	39,811,157	29,810,000
Profit on ordinary activities after tax	142,534,570	108,917,917
Extraordinary result	---	---
Tax on extraordinary result	---	---
Other taxes not shown under the preceding items	---	---
Profit for the financial year	142,534,570	108,917,917
	859,440,170	498,124,491

The accompanying notes form an integral part of the annual accounts.



INCOME	2005	2004
Interest receivable and similar income	596,020,273	284,981,786
Of which income from debt securities and other fixed-income securities	0	0
Income from securities	3,690	1,400
Of which income from shares and other variable-yield securities	3,690	1,400
Commission receivable	238,574,192	187,555,225
Net profit on financial operations	21,971,919	20,529,704
Value re-adjustments in respect of loans and advances and provisions for contingents liabilities and commitments	0	0
Value re-adjustment in respect of transferable securities	0	100
Other operating income (Note 17)	2,870,096	3,878,101
Income from the reversal of amounts included in the fund for general banking risks	0	1,178,175
	859,440,170	498,124,491

NOTES TO THE ACCOUNTS

December 31, 2005



NOTE 1 - GENERAL

Union de Banques Suisses (Luxembourg) S.A. was incorporated as a "société anonyme" in the Grand-Duchy of Luxembourg on August 20, 1973. On May 29, 1998 as a consequence of the worldwide group merger process, Union de Banques Suisses (Luxembourg) S.A. and Swiss Bank Corporation (Luxembourg) S.A. decided to merge. Union de Banques Suisses (Luxembourg) S.A. absorbed Swiss Bank Corporation (Luxembourg) S.A., which became retroactively effective from an accounting point of view on January 1, 1998. The merged entity changed its name to UBS (Luxembourg) S.A. ("the Bank").

As of August 31, 2002, the merger between UBS (Luxembourg) S.A. as absorbing company and Banque Ferrier Lullin (Luxembourg) S.A. as absorbed company became effective. From an accounting point of view, this merger took effect as of January 1, 2002.

In January 2005 the Bank acquired selected client assets from American Express Private Banking (Luxembourg) S.A..

The Bank has opened a branch in Vienna, Austria, in May 2003 and a branch in Dublin, Ireland, in December 2005.

The main activities of the Bank are wealth management, investment advice and custodian bank services.

Consolidation

The Bank is a wholly owned subsidiary of UBS AG, which is incorporated in Switzerland. In accordance with Article 82 of the Law of June 17, 1992, the Bank is exempt from the requirement to draw up consolidated accounts and a consolidated management report. The consolidated accounts of UBS AG are available from UBS AG, P.O. Box, CH-8098 Zurich, Switzerland.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual accounts are prepared in accordance with Luxembourg legal and regulatory requirements.

The significant accounting policies applied by the Bank are as follows:

Foreign currencies

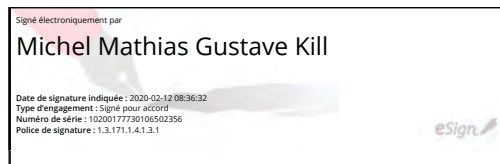
The Bank maintains a multicurrency accounting system, as a result of which assets and liabilities are recorded in the currencies in which they are denominated.

For the preparation of the annual accounts, amounts in foreign currencies are translated into Swiss francs on the following bases:



Document muni d'une signature électronique qualifiée

Le présent document est établi électroniquement et est muni d'une signature électronique qualifiée par le gestionnaire du registre de commerce et des sociétés de manière à garantir l'authenticité de l'origine et l'intégrité des informations contenues sur ce document par rapport aux informations inscrites ou par rapport aux documents déposés au registre de commerce et des sociétés.





Nom de la société : **UBS (Luxembourg) S.A.**

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19/05/2008

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CASH

Tarif : 801 R

Siège social: **33A, avenue John F. Kennedy
L- 1855 Luxembourg**

RC Luxembourg: **B 11142**

Le bilan au 31.12.2006 enregistrés à Luxembourg le _15.05.2008_ sous les références _LSO CQ/03228_ a été déposé au Registre du Commerce et des Sociétés de Luxembourg le _19.05.2008_.

Pour mention aux fins de publication au Recueil Spécial des Sociétés et des Associations.

Luxembourg, le _19.05.2008_.

UBS (Luxembourg) S.A.



UBS (LUXEMBOURG) S.A.

**REPORT OF THE BOARD OF DIRECTORS
and
INDEPENDENT AUDITOR'S REPORT
as of
December 31, 2006**



B11142

19/05/2008 L080071385.02

CASH Tarif : 801 R

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20-05-2008

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March 21, 2007

Report of the Board of Directors



Review

Looking back at Luxembourg's financial market in 2006, there is reason to be confident: in solid growth perspectives being fulfilled, in excellence of services delivered and in abilities realised to serve clients from all over Europe. International banks in Luxembourg and thus, also UBS (Luxembourg) S.A. – still face their particular challenges of positioning themselves within their group. Further challenges are imposed by a human resources market – constantly searching for the most qualified people to support our ambitious way forward. It is within these basic competitive constraints that, again, UBS (Luxembourg) S.A. managed to grow substantially: in client assets, in assets under custody, in the client experience delivered to private, institutional and hub partners.

There are three key factors a study by PWC in 2006 singled out important for the Luxembourg financial industry: First quality of services, secondly innovation and the courage to think and act differently, last the people in the organization. Looking at this threefold division, UBS (Luxembourg) S.A. summarises:

UBS quality of services was driven by a hands-on, global campaign called the "UBS client experience". It is the systematic approach to advise and serve clients most efficiently while creating consensus about the steps taken. At Client Advisor level, this led to intensive training, the creation of a Markets Quality Map and the implementation of new tools. Quality of services was also drastically increased at operational level where a new Chief Operations Area was created. A pragmatic redesign of organizational structures showed first effective results in 2006. There was a significant increase in number of transactions and number of products managed, like hedge funds and derivatives.

What is Innovation? Everybody advocates it, yet are we truly open to it as it implies change? And change, from a human point of view, is often regarded the uncertain and the uncomfortable. As an integral part of the UBS spirit of entrepreneurship we cannot go without and we can go even less without when fortifying the importance of Luxembourg within our global groups and sheltering against off-shoring of infrastructures.

Another innovation "stimulated" from externally is MiFID: Initiated by a broad scale regulatory offensive in 2006, it will become a challenging bank wide project not to be turned into investor protection solely, but into a competitive advantage with regards to the industry. – It was mainly also innovation and quality in offering customised client services with the Global Key Clients that did not only grow Net New Money and Invested Assets far above market level but widened their client spectre globally.

Talking people, the third key factor, UBS (Luxembourg) S.A. remained an employer of choice, growing staff by almost one quarter within 2006. Yet, looking at financial growth, recruitment did not impact negatively on the cost ratio which was complemented by the exceedingly positive business volume. Recruiting the best, retaining them and training to the job has become the three step strategy. Again, UBS ranks in terms of training costs and efforts spent amongst the top of the industry. – Finally, growth requires space. Here, the new "one building strategy" paid tribute to expansion. Starting out in summer 2006, UBS (Luxembourg) S.A. and UBS Fund Services (Luxembourg) S.A. laid the fundament to a new state of the art building in Luxembourg's Kirchberg area, the national financial centre. Not only will the new building create synergies and offer better facilities to clients and employees. It is a strong vow and commitment to the financial place Luxembourg. UBS will grow further, globally and locally, to be nominated market leader by a range of surveys, but most importantly by their respective clients.

20-05-2008



Profit and Loss Account

In the year 2006, total net revenues amounted to CHF 364.3 million, compared to CHF 292.64 million in 2005. Commissions and fees contributed the main portion to overall revenues and did increase by 25.8% over previous year. Interest net revenues increased by 25.3 %. In 2006, general administrative expenses increased from CHF 101.9 million in 2005 to CHF 117.1 million as a consequence of the increase in headcounts in Austria and Luxembourg. After deduction of depreciation and other operating expenses a profit before tax of CHF 237.4 million can be reported. The net profit after income tax of CHF 51.2 million amounts to CHF 186.2 million. This compares to CHF 142.5 million in the previous year again an increase of 30.6% compared to last year.

To support the future growth of our business, the Board of Directors requests to pay a dividend of CHF 86.0 million and to allocate the remaining profit 2006 of CHF 100.0 million to the reserves and CHF 0.5 million to the retained earnings.

Balance Sheet

Client asset inflow with related cash positions and additional short-term loans granted to third parties led to a balance sheet increase of 10 % during 2006. Total assets are CHF 20.7 billion (CHF 18.9 bn as of 31.12.2005).

CHF 95 million of the debt securities were sold in December 2006, the remaining CHF 130 million were sold in January 2007.

In April 2006, the subscribed capital of our subsidiary UBS Belgium SA/NV was increased by € 6.0 million to € 23.0 million and fully paid in two lots in April and December 2007.

Liabilities from customers increased by CHF 1.8 billion. In direct relation to customer loans, the Bank has outstanding bond structures of CHF 3.1 billion as of year-end 2006.

As of 31 December 2006, the Bank's subscribed capital and reserves stood at CHF 460.1 million. The full profit 2005 was retained to support the growth of our organisation, no dividend was paid.

After the 31 December 2006 year-end, following significant events took place:

Sale of CHF 130 million debt securities to a third party at 100%

Sale of our building "Brasseur" and "Joseph II" in relation with our move to the K2-building at Luxembourg-Kirchberg in summer 2007

As of December 31, 2006, the Bank has not acquired any of its own shares.

Proposal of the Board of Directors to the General Meeting

The Board of Directors proposes that the financial statements for 2006 be approved and that the amount of CHF 186.5 million available to the General Meeting be appropriated as follows:

- Net profit according to Profit & Loss Account	CHF	186,234,547
- Profit brought forward from previous year	CHF	272,234
	CHF	186,506,781
Proposed allocation:		
- Dividend payment	CHF	86,000,000
- Distribution to reserves	CHF	100,000,000
- Profit to be carried forward	CHF	506,781
	CHF	186,506,781



Risk Management

The various risks of the Bank are monitored through a Local Risk Control Committee consisting of representatives of all major departments. This committee, which meets on a quarterly basis, has the responsibility to review risk exposure and to take corrective action if necessary. Checks, limits and controls have been put in place to control the Bank on a daily basis, according to the Risk Management and control principles set-up by the UBS Group. All Management controls are also input into the local Control Tool and regularly monitored by Risk Control. A complete set of policies regulates the businesses conducted by the Bank. These policies include a risk policy approved by the Board of Directors and a related limit framework. Furthermore, all risks (excluding credit, legal & compliance risks) are also monitored by the risk control department and a risk charter, explaining the monitoring functions of this department, has been published.

Finally the Bank has set-up an Operational Risk Framework and a half year self-certification process in order to ensure that all the risks are properly managed and controlled and to be compliant with the Sarbanes Oxley Act (Section 404). All risks are also tracked and monitored in the Risk Inventory tool set-up by Risk Control.

Liquidity and funding risks

During 2006, the liquidity ratio of the Bank slightly decreased from 72,9% as of December 31, 2005 to 72,4% as of December 31, 2006 (this ratio exceeds the required minimum of 30%).

The capital adequacy ratio was always above 12% in 2006 (regulatory limit is 8%). In December 2006, the Bank reimbursed CHF 95 million of the subordinated loan received in December 2005 to finance the acquisition of a perpetual bond.

Credit risk

In its credit business, the Bank maintains a strict policy in selecting its various credit counter parties. All credits are granted in accordance with this approved policy.

Lombard loans are secured by assets pledged in favour of the Bank. Pledged assets always require a lending value in excess of the Bank's commitment. The lending value assigned to client assets is re-valued daily and margin calls are initiated when required. The Bank also performs securities lending operations for investment funds and large customers by acting as an agent.

Commitments towards UBS Group entities represent a significant part of the total credit business.

20-05-2008

All drawings and payments are based on the four-eyes principle. The limits for each credit facility are set in the system and an independent department carries out regular credit monitoring to ensure proper segregation of duties. The latter department also reviews counter parties on a regular basis to enable early warning.



Market risk

The Bank has limited exposure, as it does not actively manage own securities portfolios, nor is the Bank engaged in short selling of securities and has very limited FX and interest rate limits.

The main task of the trading desk is to handle execution of client orders. The Bank deals in all financial products requested by clients and matches respective product with the approved brokers. A small business inventory limit is in place to enable a minimal handling room for the daily flows.

The Bank has no actively managed proprietary trading book. As such, the Bank does not enter into bond or equity trading, nor does it have any precious metal positions. The securities portfolio held at the Bank is not a trading portfolio and is not significant (besides the mentioned CHF 130 million debt securities, sold in January 2007, the bank hold other equity and variable-yield securities of CHF 0.4 million as of December 31, 2006). The treasury department of the Bank manages the asset & liability risks and the liquidity risk of the Bank. Due to the limited FX and sensitivity limits available to the Bank, almost all money market and foreign exchange exposures are refinanced/hedged with UBS AG.

As of 31 December 2006, the Board of Directors had an approved sensitivity limit of CHF 60,000 per basis point. As of 31 December 2006, the utilisation of the sensitivity limit was CHF 23.915 per basis point. The sensitivity is part of the global UBS limit framework and is controlled daily on a local and group wide basis. The limits were never exceeded in 2006. The Bank has also a small FX spot limit of CHF 3 million intra-day and CHF 1.5 million overnight (limited to single currency positions of EUR 200.000,-). These positions are daily monitored by the risk control department and all overdrafts must be explained to them. As a matter of principle, no derivative instruments are used for proprietary trading or leveraging purposes. The Bank only engages in OTC transactions to hedge foreign exchange or interest rate risks. Almost all OTC transactions are executed through UBS AG. The sole purpose of derivatives held by the Bank is to cover derivative transactions made by the Bank on behalf of its clients and to hedge interest rate risks.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external causes (deliberate, accidental or natural). The losses may be direct financial losses, or indirect, in the form of revenue forgone as a result of business suspension. They may also result from damage to our reputation and our franchise, which have longer term financial consequences.

Unlike credit and market risks, operational risks are not risks that are actively entered into but, rather, risks that arise as a consequence of our business activity.

The operational risk is composed of the following categories: transaction processing risk, compliance risk, legal risk, liability risk, security risk and tax risk. In order to manage these risks, the UBS Group has set-up an Operational Risk Framework (ORF). All the risks detected in the context of the ORF are tracked and monitored within the Operational Risk Inventory. Furthermore, all operational gains and losses must be input into a monitoring tool and properly approved by the management and by Risk Control.



Subsidiaries and branches of UBS (Luxembourg) S.A.

In December 2006, UBS (Luxembourg) S.A. has had three operational banking units. The risk framework of all, UBS Belgium SA/NV, UBS (Luxembourg) S.A. Austrian branch and UBS (Luxembourg) S.A. Dublin Branch, is based on the same standards as those applicable to the Bank. All three locations have implemented a properly working Local Risk Control Committee and are monitored by Risk Control Luxembourg. UBS Belgium SA/NV and UBS (Luxembourg) S.A. Austrian branch have their treasury operations carried out by the Bank in Luxembourg. Both entities have small FX spot and sensitivity limits (respectively a FX spot limit of EUR 300,000 and CHF 400,000 and a sensitivity limit of CHF 500 per basis points for each entity). These limits are monitored on a daily basis.

Outlook

The year 2006 was the period to consequently and persistently implement the bank's four business areas strategy. It was rounded-off by a management completion with a focussed re-design of the COO area and the installation of further clean-up and efficiency driven projects and tools. At the same time, the challenge to annually train and integrate new colleagues imposes a further objective in 2007 and the years to come. The investment into people is key and shows highly profitable results as the Global Key Clients area may illustrate most plastically. Strategically, we will continue to focus on delivering premium services in the traditional and the tailor-made wealth management for standard business, Financial Intermediaries and Key Clients. While significantly growing the business, the organisation will handle, almost along the way, demanding projects such as MiFID and the construction of the new building - ready to be moved in by summer 2007. Looking at our overall situation we can state that capacities will be, again, used to the maximum. The label "employer of choice" will, also, attract in 2007 only the eager and ambitious.

The Board of Directors and the Executive Board members of UBS (Luxembourg) S.A. would like to thank all our clients and employees for the successes achieved jointly.

Arthur Decurtins
Chairman of the Board
UBS (Luxembourg) S.A.

Roger H. Hartmann
Member of the Board and Chief Executive Officer
UBS (Luxembourg) S.A.



■ Ernst & Young
Société Anonyme

Réviseurs d'entreprises
Experts-Comptables

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
UBS (Luxembourg)
Société Anonyme
Luxembourg

Report on the annual accounts

Following our appointment by the Board of Directors, we have audited the accompanying annual accounts of UBS (Luxembourg) S.A., which comprise the balance sheet as at December 31, 2006 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes to the annual accounts.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts. This responsibility includes: designing; implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the "Réviseur d'Entreprises"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "Réviseur d'Entreprises", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "Réviseur d'Entreprises" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

20-05-2008



An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

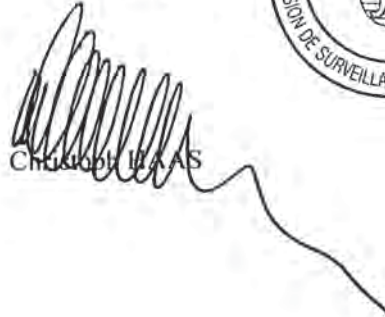
In our opinion, the annual accounts give a true and fair view of the financial position of UBS (Luxembourg) S.A. as of December 31, 2006, and of the results of its operations for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is in accordance with the annual accounts.

ERNST & YOUNG
Société Anonyme
Réviseur d'Entreprises




Christophe L. KAS

March 21, 2007

20-05-2008

UBS (Luxembourg)
Société Anonyme

BALANCE SHEET
December 31, 2006
(expressed in Swiss francs)



ASSETS	2006	2005
Cash, balances with central banks and post office banks	346,231,374	277,155,505
Loans and advances to credit institutions (Notes 3, 4)	14,910,451,794	13,809,801,341
a) repayable on demand	2,195,781,917	2,315,652,025
b) with agreed maturity dates or periods of notice (Note 4)	12,714,669,877	11,494,149,316
Loans and advances to customers (Notes 3, 4)	4,887,449,779	4,234,209,301
Debt securities and other fixed-income transferable securities (Note 5)	130,000,000	225,000,000
a) issued by credit institutions	130,000,000	225,000,000
Shares and other variable-yield securities (Notes 3, 5)	25,391	834,678
Shares in affiliated undertakings (Notes 3, 6)	36,611,784	26,194,005
Intangible assets (Note 6)	8,679,667	11,748,335
Tangible assets (Note 6)	32,812,048	33,641,767
Other assets (Note 7)	7,962,636	26,530,670
Prepayments and accrued income	389,651,611	265,035,960
Total Assets	20,749,876,084	18,910,151,562



LIABILITIES	2006	2005
Amounts owed to credit institutions (Notes 3, 8)	2,267,822,494	1,349,965,384
a) repayable on demand	399,163,330	525,915,805
b) with agreed maturity dates or periods of notice (Note 8)	1,868,659,164	824,049,579
Amounts owed to customers (Notes 3, 8)	13,950,319,406	12,172,356,821
Other debts		
a) repayable on demand	9,107,790,026	6,028,238,358
b) with agreed maturity dates or periods of notice (Note 8)	4,842,529,380	6,144,118,463
Debts evidenced by certificates (Note 8)	3,132,220,680	4,208,931,668
Bonds issued	3,132,025,480	4,208,931,668
Other	195,200	0
Other liabilities (Note 9)	17,835,207	26,885,964
Accruals and deferred income	390,092,042	273,932,304
Provisions	44,939,474	22,667,187
a) Provisions for taxation	40,397,262	18,225,708
b) Other provisions (Notes 10, 16)	4,542,212	4,441,479
Subordinated liabilities (Note 11)	300,000,000	395,000,000
Shareholders' equity (Note 14)	646,646,781	460,412,234
a) Subscribed capital (Note 12)	150,000,000	150,000,000
b) Reserves (Note 13)	310,140,000	167,640,000
c) Profit brought forward (Note 14)	272,234	237,664
d) Profit for the financial year (Note 14)	186,234,547	142,534,570
Total Liabilities	20,749,876,084	18,910,151,562

OFF-BALANCE SHEET

Contingent liabilities (Notes 3, 16, 17)	159,277,164	91,355,095
<i>of which:</i>		
- <i>Guarantees and assets pledged as collateral security</i>	<i>159,277,164</i>	<i>91,355,095</i>
Commitments	0	0
Fiduciary transactions	915,297,952	2,247,214,472

UBS (Luxembourg)
Société Anonyme

PROFIT AND LOSS ACCOUNT
For the financial year ended
December 31, 2006
(expressed in Swiss francs)



CHARGES	2006	2005
Interest payable and similar charges	801,526,796	546,691,790
Commission payable	22,081,139	20,180,648
General administrative expenses	117,069,705	101,933,033
a) Staff costs (Note 22)	83,884,584	74,005,361
of which: - wages and salaries	69,338,808	61,733,560
- social security costs	8,762,514	7,149,860
of which: relating to pensions	7,361,847	5,313,444
b) Other administrative expenses (Note 23)	33,185,121	27,927,672
Value adjustments in respect of tangible and intangible assets	6,721,384	7,120,108
Other operating charges (Note 18)	3,175,991	1,168,864
Value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	0	0
Value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	0	0
Tax on profit on ordinary activities (Note 18)	51,159,944	39,811,157
Profit on ordinary activities after tax	186,234,547	142,534,570
Extraordinary result	---	---
Tax on extraordinary result	---	---
Other taxes not shown under the preceding items	---	---
Profit for the financial year	186,234,547	142,534,570
	1,187,969,506	859,440,170

2006-05-2008

The accompanying notes form an integral part of the annual accounts.



INCOME	2006	2005
Interest receivable and similar income	863,311,392	596,020,273
Of which income from debt securities and other fixed-income securities	8,698,579	0
Income from securities	2,697	3,690
Of which income from shares and other variable-yield securities	697	3,690
Commission receivable	296,813,535	238,574,192
Net profit on financial operations	26,586,951	21,971,919
Value re-adjustments in respect of loans and advances and provisions for contingents liabilities and commitments	0	0
Value re-adjustment in respect of transferable securities	0	0
Other operating income (Note 18)	1,254,931	2,870,096
Income from the reversal of amounts included in the fund for general banking risks	0	0
	<u>1,187,969,506</u>	<u>859,440,170</u>

2005-2008



UBS (Luxembourg)
Société Anonyme

NOTES TO THE ACCOUNTS
December 31, 2006

NOTE 1 - GENERAL

Union de Banques Suisses (Luxembourg) S.A. was incorporated as a "société anonyme" in the Grand-Duchy of Luxembourg on August 20, 1973. On May 29, 1998, as a consequence of the worldwide group merger process, Union de Banques Suisses (Luxembourg) S.A. and Swiss Bank Corporation (Luxembourg) S.A. decided to merge. Union de Banques Suisses (Luxembourg) S.A. absorbed Swiss Bank Corporation (Luxembourg) S.A., which became retroactively effective from an accounting point of view on January 1, 1998. The merged entity changed its name to UBS (Luxembourg) S.A. ("the Bank").

As of August 31, 2002, the merger between UBS (Luxembourg) S.A. as absorbing company and Banque Ferrier Lullin (Luxembourg) S.A. as absorbed company became effective. From an accounting point of view, this merger took effect as of January 1, 2002.

In January 2005 the Bank acquired selected client assets from American Express Private Banking (Luxembourg) S.A..

The Bank has opened a branch in Vienna, Austria, in May 2003 and a branch in Dublin, Ireland, in December 2005.

The main activities of the Bank are wealth management, investment advice and custodian bank services.

Consolidation

The Bank is a wholly owned subsidiary of UBS AG, which is incorporated in Switzerland. The Bank is included in the consolidated financial statements of the UBS AG, which are available at UBS AG, P.O. Box, CH-8098 Zurich, Switzerland.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual accounts are prepared in accordance with Luxembourg legal and regulatory requirements.

The significant accounting policies applied by the Bank are as follows:

Foreign currencies

The Bank maintains a multicurrency accounting system, as a result of which assets and liabilities are recorded in the currencies in which they are denominated.

For the preparation of the annual accounts, amounts in foreign currencies are translated into Swiss francs on the following basis:



RCS

REGISTRE DE COMMERCE
ET DES SOCIÉTÉS

Document muni d'une signature électronique qualifiée

Le présent document est établi électroniquement et est muni d'une signature électronique qualifiée par le gestionnaire du registre de commerce et des sociétés de manière à garantir l'authenticité de l'origine et l'intégrité des informations contenues sur ce document par rapport aux informations inscrites ou par rapport aux documents déposés au registre de commerce et des sociétés.

Nom de la société : **UBS (Luxembourg) S.A.**

Siège social: **36-38 Grand Rue
L- 1660 Luxembourg**

RC Luxembourg: **B 11142**



M B11142
01/07/2008 L080094226.01
CASH Tarif : 801 R

Le bilan au 31.12.2007 enregistré à Luxembourg le __ 26.06.2008 __ sous la
référence __LSO CR/10075__ a été déposé au Registre du Commerce et des
Sociétés de Luxembourg le __01.07.2008__.

Pour mention aux fins de publication au Recueil Spécial des Sociétés et des
Associations.

Luxembourg, le __01.07.2008__.

UBS (Luxembourg) S.A.


Marc Collard
Executive Director


Alain Hondequin
Executive Director

Composition du Conseil d'Administration au 31 décembre 2007

1. Arthur Decurtins General Manager
Member of the Group Managing Board, UBS AG
Président du Conseil d'Administration

Membre du Conseil d'Administration
depuis le 04 juillet 2002
2. Peter Faes Managing Director, UBS AG
Administrateur

Membre du Conseil d'Administration
depuis le 30 mai 2001
3. Gerhard Fusenig Managing Director, UBS AG
Administrateur

Membre du Conseil d'Administration
depuis le 25 juillet 2007
4. Hans-Karl Held Managing Director, UBS AG
Administrateur

Membre du Conseil d'Administration
depuis le 14 décembre 2004
5. Andreas Przewloka Managing Director, UBS AG
Administrateur

Membre du Conseil d'Administration
depuis le 29 mars 2006
6. José F. Sierdo Managing Director, UBS AG
Administrateur

Membre du Conseil d'Administration
depuis le 21 novembre 2007



B11142

01/07/2008

CASH

L080094226.02

Tarif : 801 R

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Membres ayant été nommés au cours de l'année 2007

Gerhard Fusenig	Managing Director, UBS AG Membre du Conseil d'Administration depuis le 23 juillet 2007
José F. Sierdo	Managing Director, UBS AG Membre du Conseil d'Administration depuis le 21 novembre 2007

Membres ayant cessé leurs fonctions au cours de l'année 2007

Roger H. Hartmann	Managing Director, UBS (Luxembourg) S.A. Administrateur Membre du Conseil d'Administration jusqu'au 21 novembre 2007
Alfred E. Zbinden	Managing Director, UBS AG Administrateur Membre du Conseil d'Administration jusqu'au 21 mars 2007

UBS (Luxembourg) S.A.



José F. Sierdo
Chief Executive Officer
Managing Director

Juergen Gerber
Chief Financial Officer
Managing Director

UBS (Luxembourg) S.A.

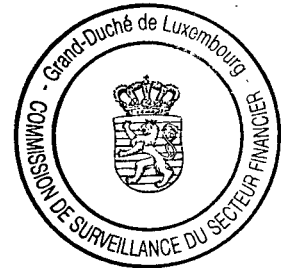
14 mars 2008

Siège Social :
33A avenue J.F. Kennedy
L-1855 Luxembourg

Constituée le 20 août 1973 sous la forme juridique d'une société anonyme de droit luxembourgeois sous la dénomination Union de Banques Suisses (Luxembourg) S.A.
L'acte de constitution et les statuts ont été publiés au Recueil du Mémorial No. 150 du 30 août 1973.

Les statuts ont été modifiés:

- Le 17 décembre 1973 (Mémorial No. 7 du 14 janvier 1974),
- Le 11 mars 1974 (Mémorial No. 74 du 04 avril 1974),
- Le 14 novembre 1975 (Mémorial No. 225 du 28 novembre 1975),
- Le 21 avril 1976 (Mémorial No. 95 du 10 mai 1976),
- Le 10 mars 1980 (Mémorial No. 120 du 11 juin 1980),
- Le 07 mars 1984 (Mémorial No. 89 du 31 mars 1984),
- Le 25 mars 1985 (Mémorial No. 122 du 02 mai 1985),
- Le 12 mai 1986 (Mémorial No. 152 du 09 juin 1986),
- Le 08 mai 1989 (Mémorial No. 258 du 15 septembre 1989),
- Le 18 décembre 1995 (Mémorial No. 89 du 21 février 1996),
- Le 29 mai 1998 (Mémorial No. 469 du 27 juin 1998) Fusion avec la Société de Banque Suisse (Luxembourg) S.A.
- Pas de changements en 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006 et 2007.



Les statuts coordonnés à la date du 29 mai 1998 ainsi que la modification des statuts du 29 mai 1998 ont été déposés au greffe du Tribunal d'arrondissement de et à Luxembourg le 03 juillet 1998.

R.C. Luxembourg No. B 11142

UBS (Luxembourg) S.A.

José F. Sierdo
Chief Executive Officer
Managing Director

Juergen Gerber
Chief Financial Officer
Managing Director



**UBS (Luxembourg) S.A.
Société Anonyme**

**Annual Accounts
and
Report of the Board of Directors
and
Independent Auditor's report
as of
December 31, 2007**

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April 8, 2008

Report of the Board of Directors

Review

UBS experienced in 2007 one of the most difficult years in its history. While we achieved strong record results from our client businesses, the sudden and serious deterioration in the US housing market, in combination with our large exposure in sub-prime mortgage-related securities and derivatives, has driven our group into a loss for the year.

Despite the market turmoil and the difficulties our group has faced, UBS (Luxembourg) S.A. achieved record results, and once more, was nominated "Best Private Bank" in Luxembourg by Euromoney.

For UBS (Luxembourg) S.A., 2007 was indeed an excellent year both in terms of financial results and overall development. We have continued to enjoy a solid growth, which was reflected by a 33% increase in invested assets. Private banking clients demand an increasingly higher quality of service from their wealth manager. To meet their expectations, the company increased the number of employees by nearly 5% to reach 459 full time equivalents in Luxembourg. We also expanded our business in Austria with the opening of a new UBS branch office in Salzburg at the end of the year. Today, UBS (Luxembourg) S.A. can be proud to employ over 600 people including our subsidiaries in Belgium and our branches in Austria and Ireland.

As growth requires space, the UBS House Project was born. The project actually started in 2005 when UBS (Luxembourg) S.A. and UBS Fund Services (Luxembourg) S.A. decided to pursue a one building strategy due to their substantial growth and development. In summer of 2007, both entities moved together into their new office premises on the Kirchberg plateau, at the heart of the financial district. The new four building complex called "UBS House" provides approx. 18.000 sqm of office space, capacity for over 1,000 employees, an employee cafeteria, as well as a large and modern client meeting area which includes full catering capabilities. The move to the new building demonstrated our commitment to the Luxembourg financial marketplace as a booking centre and service hub of choice. The integrated facilities have provided for increasing efficiency and numerous synergy benefits.

Another major milestone and a challenging bank wide project for UBS (Luxembourg) S.A. was the Markets in Financial Instruments Directive (MiFID). MiFID was designed by the European Union to create an integrated single market across the member states of the European Economic Area. It has had a fundamental impact on the financial services industry across Europe as the new directive fosters an open and secure market and enhances investor protection. MiFID was transposed into national law in July 2007 and entered into force on November 1, 2007. It replaces the Investment Services Directive, the key European legislation for investment intermediaries and financial markets since 1995.

As a result, all of our clients were provided with a MiFID information package containing the client classification letter, the MiFID leaflet and brochure and the updated General Terms and Conditions. The bank provided an extensive MiFID training to their back and front unit employees.

Part of UBS (Luxembourg) S.A. success can certainly be attributed to the performance of the Luxembourg financial marketplace, recognized as an international centre of excellence for Private Banking and Investment Funds. The local market demonstrated, once again, dynamic performance and a substantial inflow of private wealth.

The Luxembourg financial industry is constantly aware of the necessity to modernize and keep ahead of international competitors. In February 2007, a new law on investment funds called Specialised Investment Funds Law (or: SIF Law) was introduced, replacing the 1991 Law on institutional funds.



SIF Law refers to the investment funds which are distributed to "informed investors" and it brings in significant simplification of the rules for setting up fund structures such as hedge funds, real estate funds, and private equity funds. This structure is suitable for both traditional and alternative investment types.

On November 30, 2007, after 24 years with UBS, including 7 years with UBS (Luxembourg) S.A., Roger H. Hartmann handed over his duties as Chief Executive Officer of UBS (Luxembourg) S.A. to José François Sierdo who will be heading the bank and be responsible for the development of the Benelux and Nordic markets as well.

Profit and Loss Account

In the year 2007, total net revenues amounted to CHF 497.4 million, compared to CHF 364.3 million in 2006. Commissions and fees contributed the main portion to overall revenues and increased by 21.9% over the previous year. Net revenues interests increased by 42.7%. General administrative expenses increased from CHF 117.1 million in 2006 to CHF 172.6 million in 2007 as a consequence of the increase in headcounts in both Austria and Luxembourg locations. After deduction of depreciation and other operating expenses a profit before tax of CHF 313.8 million was reported. The net profit after income tax of CHF 38.9 million amounts to CHF 274.9 million. This total compared to CHF 186.2 million in the previous year represents an increase of 47.6%.

The Board of Directors has approved the payment of a dividend of CHF 275.0 million and a reduction of CHF 0.1 million of retained earnings.

Balance Sheet

Client asset inflow with related cash positions and additional short-term loans granted to third parties led to a balance sheet increase of 21% during 2007. Total assets amounted to CHF 25.1 billion (CHF 20.7 billion as of 31.12.2006). The remaining CHF 130 million of debt securities have sold in January 2007.

Liabilities owed to customers increased by CHF 4.7 billion. In direct relation to customer loans, the Bank has outstanding bond structures of CHF 3.3 billion as of year-end 2007.

As of 31 December 2007, the Bank's subscribed capital and reserves stood at CHF 560.1 million. 2006 profit was allocated as follows: CHF 86 million in the payment of dividends, CHF 100 million as a reserve and CHF 0.5 million as profit to be carried forward.

After the 31 December 2007 year-end, no significant events took place until now.

As of December 31, 2007, the Bank has not acquired any of its own shares.



Proposal of the Board of Directors to the General Meeting

The Board of Directors recommends that the financial statements for 2007 be approved and that the amount of CHF 275.4 million available to the General Meeting be allocated as follows:

- Net profit according to Profit & Loss Account	CHF	274,870,368
- Profit brought forward from previous year	CHF	506,781
	CHF	275,377,149

Proposed allocation:

- Dividend payment	CHF	275,000,000
- Distribution to reserves	CHF	0
- Profit to be carried forward	CHF	377,149
	CHF	275,377,149

Risk Management

The various risks of the Bank are monitored through various tools, committees and reports. The risks are monitored by the Risk Control department together with the risk managers of the different departments. A Risk Committee composed of Risk Control and the risk managers takes place on a monthly basis to monitor the risks identified.

On a monthly basis, Risk Control produces a risk report summarising all the major risks identified with risk owner and deadline for solving the issue. This report is submitted to the Management Committee for information and approval. Checks, limits and controls have been put in place to control the Bank on a daily basis, according to the Risk Management and control principles set-up by the UBS Group. All Management controls are also entered into the local Control Tool and regularly monitored by Risk Control. A complete set of policies regulates the businesses conducted by the Bank.

Finally the Bank has set-up an Operational Risk Framework and a semi annual self-certification process in order to ensure that all the risks are properly managed and controlled and compliant with the Sarbanes Oxley Act (Section 404). All risks are tracked and monitored in the Risk Inventory tool set-up by Risk Control and all operational gains or losses are input in a specific application for adequate follow-up.

Liquidity and funding risks

During 2007, the liquidity ratio of the Bank slightly increased from 72.4%, as of December 31, 2006, to 76.5% as of December 31, 2007, exceeding the required minimum of 30%.

The capital adequacy ratio was always above 11% in 2007, except on 31.12.2007 where it dropped to 10.99%.

In December 2007, two subordinated loans, for a total amount of CHF 240 million, were redeemed after approval by the CSSF. A new one of CHF 25 million was approved in December 2007.



Credit risk

In its credit business, the Bank maintains a strict policy in selecting its various credit counter parties. All credits are granted in accordance with applicable policies approved locally or globally.

In general, Lombard loans and other credit exposures are secured by assets pledged in favour of the Bank. Pledged assets always require a lending value in excess of the Bank's commitment. The lending value assigned to client assets is re-valued daily and margin calls are initiated when required. All drawings and payments are based on the four-eye principle. To ensure proper segregation of duties, limits for each credit facility are approved and reviewed on regular basis by an independent department. Within the rules and based on a dedicated system in place Client Advisors can handle standard Lombard facilities up to a limited credit amount themselves. The monitoring of all limits and of exposures in the system is carried out by the dedicated department daily within the monitoring framework.

The Bank also performs securities lending operations for investment funds and large customers by acting as an agent.

Commitments towards UBS Group entities represent a significant part of the total credit business.

Market risk

The Bank has limited exposure with very limited FX and interest rate limits. The main task of the trading desk is to handle execution of client orders. The Bank deals in all financial products requested by clients and matches respective product with the brokers that are approved and monitored by UBS AG. In addition, the Bank is engaged in routing as many as possible orders for execution in UBS AG, in accordance with the Bank's MiFID Best Execution policy. A small business inventory limit is in place to enable a minimal handling room for the daily flows.

As at December 31, 2007, the Bank held a bond portfolio of CHF 223.3 million completely hedged with identical notes issued by UBS (Luxembourg) S.A. The bank also held other equity and variable-yield securities of CHF 0.3 million. Nevertheless, none of these positions are trading positions, as the bank does not actively manage a proprietary trading book. Due to the limited FX and sensitivity limits available to the Bank, almost all money market and foreign exchange exposures are refinanced/hedged with UBS AG.

As of 31 December 2007, the Bank had an approved sensitivity limit of CHF 60,000 per basis point; this limit will be reduced to CHF 30,000 per basis point on January 1, 2008. As of 31 December 2007, the utilisation of the sensitivity limit was CHF 17,109 per basis point, which represents 29% of the limit. Average use of the limit over the year was approximately 40%. The sensitivity limit was never exceeded in 2007. The sensitivity is part of the global UBS limit framework and is controlled daily on a local and group wide basis. The Bank has also a small FX spot limit of CHF 3 million intra-day and CHF 1.5 million overnight (limited to single currency positions of CHF 200,000). These positions are monitored daily by the risk control department and all overdrafts must be explained to them. As a matter of principle, no derivative instruments are used for proprietary trading or leveraging purposes. All OTC transactions are executed through UBS AG. The sole purpose of derivatives held by the Bank is to cover derivative transactions made by the Bank on behalf of its clients and to hedge interest rate risks.



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Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external causes (deliberate, accidental or natural). The losses may be direct financial losses, or indirect, in the form of revenue forgone as a result of business suspension. They may also result from damage to our reputation and our franchise, which have longer term financial consequences.

Unlike credit and market risks, operational risks are not risks that are actively entered into but, rather, risks that arise as a consequence of our business activity.

The operational risk is composed of the following categories: transaction processing risk, compliance risk, legal risk, liability risk, security risk and tax risk.

In order to manage Operational Risk at group level, but also to comply with a number of fundamental regulatory requirements, most notably the new Basel capital accord (Basel II) and the Sarbanes-Oxley Act section 404, UBS Group designed and implemented an Operational Risk Framework (ORF).

All the risks detected in the context of the ORF are tracked and monitored within the Operational Risk Inventory. Furthermore, all operational gains and losses must be entered into a monitoring tool and properly approved by the management and by Risk Control.

Subsidiaries and branches of UBS (Luxembourg) S.A.

In December 2007, UBS (Luxembourg) S.A. operated three banking units. The risk framework of all, UBS Belgium SA/NV, UBS (Luxembourg) S.A. Austrian branch and UBS (Luxembourg) S.A. Dublin Branch, is based on the same standards as those applicable to the Bank. All three locations have implemented a properly working Local Risk Control Committee and are monitored by Risk Control Luxembourg. UBS Belgium SA/NV and UBS (Luxembourg) S.A. Austrian branch have their treasury operations carried out by the Bank in Luxembourg. Both entities have small FX spot and sensitivity limits (respectively a FX spot limit of EUR 300,000 and CHF 400,000 and a sensitivity limit of CHF 500 per basis points for each entity). These limits are monitored on a daily basis.

Outlook

In the first few weeks of 2008, equity markets worldwide have fallen by an average 12% and credit spreads have continued to widen as investors have become increasingly risk averse. Economic data has deteriorated, especially, but not only, in the U.S.

Our group expects 2008 to be another difficult year and a year of consolidation. Looking ahead, our efforts will focus on restoring client, employee and investor confidence.

For UBS (Luxembourg) S.A., it will mean that we will pursue to manage our business in a disciplined fashion, while continuing to deliver outstanding services to our clients. Having experienced over the years increasing growth, it is time for us to reflect on our strategy and ensure we have a solid and scalable base to sustain future growth. Early 2008, the Management team launched a full business review encompassing a comprehensive analysis of internal structures, processes and functions. The business review will permit us to create operational leverage by focussing on top initiatives which have the most impact for our business and to expand where there are clear growth opportunities. We also intend to strengthen our leadership position in Luxembourg and continue to attract key talents.



02-07-2008

Although market conditions might be difficult, we still have performing businesses, our capital base is one of the strongest in the market and UBS was named the world's best private bank for the fifth time in a row, which also shows recognition of the banking industry and the strong brand image we have. This solid base will allow us to continue executing on our strategy and seizing the opportunities in our markets. In this context, we can be very optimistic about the future of our company.

The Board of Directors and the Executive Board members of UBS (Luxembourg) S.A. would like to take this opportunity to thank all our clients for their trust and loyalty as well as the staff members for their excellent performance in 2007.

Arthur Decurtins
Chairman of the Board
UBS (Luxembourg) S.A.

José F. Sierdo
Member of the Board and Chief Executive Officer
UBS (Luxembourg) S.A.





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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
UBS (Luxembourg)
Société Anonyme
Luxembourg



Report on the annual accounts

Following our appointment by the Board of Directors, we have audited the accompanying annual accounts of UBS (Luxembourg) S.A., which comprise the balance sheet as at December 31, 2007 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts. This responsibility includes: designing; implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the "Réviseur d'Entreprises"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "Réviseur d'Entreprises", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "Réviseur d'Entreprises" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.



Report on the annual accounts - continued

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion


In our opinion, the annual accounts give a true and fair view of the financial position of UBS (Luxembourg) S.A. as of December 31, 2007, and of the results of its operations for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is in accordance with the annual accounts.



ERNST & YOUNG
Société Anonyme
Réviseur d'Entreprises


Christoph HAAS

April 8, 2008

UBS (Luxembourg)
Société Anonyme

Balance Sheet
December 31, 2007
(expressed in Swiss francs)

A S S E T S	2007	2006
Cash, balances with central banks and post office banks	418,814,580	346,231,374
Loans and advances to credit institutions (Notes 3, 4)	18,899,259,147	14,910,451,794
a) repayable on demand	10,689,725,912	2,195,781,917
b) with agreed maturity dates or periods of notice (Note 4)	8,209,533,235	12,714,669,877
Loans and advances to customers (Notes 3, 4)	5,060,642,759	4,887,449,779
Debt securities and other fixed-income transferable securities (Note 5)	223,300,485	130,000,000
a) issued by credit institutions	72,446,445	130,000,000
b) issued by other borrowers	150,854,040	0
Shares and other variable-yield securities (Notes 3, 5)	121,293	25,391
Shares in affiliated undertakings (Notes 3, 6)	37,664,285	36,611,784
Intangible assets (Note 6)	5,506,875	8,679,667
Tangible assets (Note 6)	42,578,348	32,812,048
Other assets (Note 7)	38,809,913	7,962,636
Prepayments and accrued income	378,569,003	389,651,611
Total Assets	25,105,266,688 =====	20,749,876,084 =====

The accompanying notes form an integral part of the annual accounts.

02 - 07 - 2008



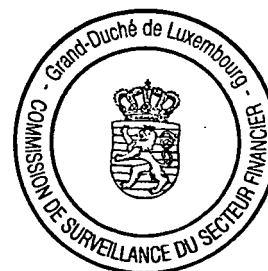
LIABILITIES	2007	2006
Amounts owed to credit institutions	1,768,292,759	2,267,822,494
(Notes 3, 8)		
a) repayable on demand	706,031,027	399,163,330
b) with agreed maturity dates or periods of notice (Note 8)	1,062,261,732	1,868,659,164
Amounts owed to customers (Notes 3, 8)	18,687,672,221	13,950,319,406
Other debts		
a) repayable on demand	11,242,393,657	9,107,790,026
b) with agreed maturity dates or periods of notice (Note 8)	7,445,278,564	4,842,529,380
Debts evidenced by certificates (Note 8)	3,303,815,616	3,132,220,680
Bonds issued	3,303,611,564	3,132,025,480
Other debt securities	204,052	195,200
Other liabilities (Note 9)	52,046,647	17,835,207
Accruals and deferred income	357,112,579	390,092,042
Provisions	25,809,717	44,939,474
a) Provisions for taxation	16,958,017	40,397,262
b) Other provisions (Notes 10, 17)	8,851,700	4,542,212
Subordinated liabilities (Note 11)	75,000,000	300,000,000
Shareholders' equity (Note 14)	835,517,149	646,646,781
a) Subscribed capital (Note 12)	150,000,000	150,000,000
b) Reserves (Note 13)	410,140,000	310,140,000
c) Profit brought forward	506,781	272,234
d) Profit for the financial year	274,870,368	186,234,547
Total Liabilities	25,105,266,688	20,749,876,084
	=====	=====

OFF-BALANCE SHEET

Contingent liabilities (Notes 3, 16)	107,006,010	159,277,164
<i>of which:</i>		
- Guarantees and assets pledged as collateral security	107,006,010	159,277,164
Commitments	0	0
Fiduciary transactions	1,258,138,884	915,297,952

UBS (Luxembourg)
Société Anonyme

Profit and Loss Account
For the financial year ended December 31, 2007
(expressed in Swiss francs)



CHARGES	2007	2006
Interest payable and similar charges	974,975,222	801,526,796
Commission payable	25,478,799	22,081,139
General administrative expenses	172,695,167	117,069,705
a) Staff costs (Note 22)	111,299,471	83,884,584
of which: - wages and salaries	95,281,326	69,338,808
- social security costs	11,050,760	8,762,514
of which: relating to pensions	8,648,636	7,361,847
b) Other administrative expenses	61,395,696	33,185,121
Value adjustments in respect of tangible and intangible assets	7,576,329	6,721,384
Other operating charges (Note 18)	3,311,453	3,175,991
Value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	0	0
Value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	0	0
Tax on profit on ordinary activities (Note 18)	38,934,543	51,159,944
Profit on ordinary activities after tax	274,870,368	186,234,547
Extraordinary result	0	0
Tax on extraordinary result	0	0
Other taxes not shown under the preceding items	0	0
Profit for the financial year	274,870,368	186,234,547
	1,497,841,881	1,187,969,506

The accompanying notes form an integral part of the annual accounts.

UBS (Luxembourg)
Société Anonyme



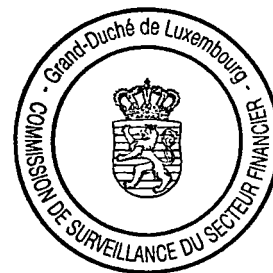
Profit and Loss Account (continued)
For the financial year ended December 31, 2007
(expressed in Swiss francs)

INCOME	2007	2006
Interest receivable and similar income	1,063,152,880	863,311,392
<i>of which: income from debt securities and other fixed-income securities</i>	3,748,106	8,698,579
Income from securities	3,055	2,697
<i>of which: income from shares and other variable- yield securities</i>	55	697
<i>of which: income from shares in affiliated undertakings</i>	3,000	2,000
Commission receivable	360,358,881	296,813,535
Net profit on financial operations	26,768,957	26,586,951
Value re-adjustments in respect of loans and advances and provisions for contingents liabilities and commitments	0	0
Value re-adjustments in respect of transferable securities held as financial fixed assets, participating interest and shares in affiliated undertakings	174,193	0
Other operating income (Note 18)	47,383,915	1,254,931
Income from the reversal of amounts included in the fund for general banking risks	0	0
	<hr/> 1,497,841,881 <hr/>	<hr/> 1,187,969,506 <hr/>

The accompanying notes form an integral part of the annual accounts.

UBS (Luxembourg)
Société Anonyme

Notes to the Annual Accounts
December 31, 2007



Note 1 - General

Union de Banques Suisses (Luxembourg) S.A. was incorporated as a "société anonyme" in the Grand-Duchy of Luxembourg on August 20, 1973. On May 29, 1998, as a consequence of the worldwide group merger process, Union de Banques Suisses (Luxembourg) S.A. and Swiss Bank Corporation (Luxembourg) S.A. decided to merge. Union de Banques Suisses (Luxembourg) S.A. absorbed Swiss Bank Corporation (Luxembourg) S.A., which became retroactively effective from an accounting point of view on January 1, 1998. The merged entity changed its name to UBS (Luxembourg) S.A. ("the Bank"). As of August 31, 2002, the merger between UBS (Luxembourg) S.A. as absorbing company and Banque Ferrier Lullin (Luxembourg) S.A. as absorbed company became effective. From an accounting point of view, this merger took effect as of January 1, 2002.

In January 2005 the Bank acquired selected client assets from American Express Private Banking (Luxembourg) S.A..

The Bank has opened a branch in Vienna, Austria, in May 2003 and a branch in Dublin, Ireland, in December 2005.

The main activities of the Bank are wealth management, investment advice and custodian bank services.

Consolidation

The Bank is a wholly owned subsidiary of UBS AG, which is incorporated in Switzerland. The annual accounts of the Bank are included in the consolidated financial statements of the UBS AG, which are available at UBS AG, P.O. Box, CH-8098 Zurich, Switzerland. As per Art. 82 of the law of 17th of June 1992, the bank is exempted to establish a consolidated short form report and a consolidated report of Board of Directors.

Note 2 – Summary of significant accounting policies

The annual accounts are prepared in accordance with Luxembourg legal and regulatory requirements.

The significant accounting policies applied by the Bank are as follows:

Foreign currencies

The Bank maintains a multicurrency accounting system, as a result of which assets and liabilities are recorded in the currencies in which they are denominated.

For the preparation of the annual accounts, amounts in foreign currencies are translated into Swiss francs on the following basis:



RCS

REGISTRE DE COMMERCE
ET DES SOCIÉTÉS

Document muni d'une signature électronique qualifiée

Le présent document est établi électroniquement et est muni d'une signature électronique qualifiée par le gestionnaire du registre de commerce et des sociétés de manière à garantir l'authenticité de l'origine et l'intégrité des informations contenues sur ce document par rapport aux informations inscrites ou par rapport aux documents déposés au registre de commerce et des sociétés.



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UBS (Luxembourg) S.A.


Société Anonyme - R.C. Luxembourg B-11142
Siège social: 33A, avenue John F. Kennedy L-1855 Luxembourg

Mention

Le bilan au 31 décembre 2008 a été déposé au Registre de Commerce et des Sociétés de Luxembourg pour mention aux fins de publication au Mémorial, Recueil des Sociétés et Associations.

Luxembourg, le 27 juillet 2009

UBS (Luxembourg) S.A.



Marc Collard



Johan Bakeroot

UBS (Luxembourg) S.A.

Siège Social :
33A avenue J.F. Kennedy
L-1855 Luxembourg



02 avril 2009

Constituée le 20 août 1973 sous la forme juridique d'une société anonyme de droit luxembourgeois sous la dénomination Union de Banques Suisses (Luxembourg) S.A.
L'acte de constitution et les statuts ont été publiés au Recueil du Mémorial No. 150 du 30 août 1973.

Les statuts ont été modifiés:

- Le 17 décembre 1973 (Mémorial No. 7 du 14 janvier 1974),
- Le 11 mars 1974 (Mémorial No. 74 du 04 avril 1974),
- Le 14 novembre 1975 (Mémorial No. 225 du 28 novembre 1975),
- Le 21 avril 1976 (Mémorial No. 95 du 10 mai 1976),
- Le 10 mars 1980 (Mémorial No. 120 du 11 juin 1980),
- Le 07 mars 1984 (Mémorial No. 89 du 31 mars 1984),
- Le 25 mars 1985 (Mémorial No. 122 du 02 mai 1985),
- Le 12 mai 1986 (Mémorial No. 152 du 09 juin 1986),
- Le 08 mai 1989 (Mémorial No. 258 du 15 septembre 1989),
- Le 18 décembre 1995 (Mémorial No. 89 du 21 février 1996),
- Le 29 mai 1998 (Mémorial No. 469 du 27 juin 1998) Fusion avec la Société de Banque Suisse (Luxembourg) S.A.
- Pas de changements en 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007 et 2008.



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Les statuts coordonnés à la date du 29 mai 1998 ainsi que la modification des statuts du 29 mai 1998 ont été déposés au greffe du Tribunal d'arrondissement de et à Luxembourg le 03 juillet 1998.

R.C. Luxembourg No. B 11142

UBS (Luxembourg) S.A.


Andreas Przewloka
Chief Executive Officer
Managing Director


Ulrich Hunziker
Chief Financial Officer
Managing Director

28-07-2009

Composition du Conseil d'Administration au 31 décembre 2008

1. Arthur Decurtins Vice Chairman Wealth Management & Swiss Bank, UBS AG
Président du Conseil d'Administration
Membre du Conseil d'Administration
depuis le 04 juillet 2002
2. Andreas Przewloka Managing Director, UBS AG
Administrateur
Membre du Conseil d'Administration
depuis le 29 mars 2006
3. José F. Sierdo Managing Director, UBS AG
Administrateur
Membre du Conseil d'Administration
depuis le 21 novembre 2007
4. Félix B. Ronner Member of the Group Managing Board, UBS AG
Administrateur
Membre du Conseil d'Administration
depuis le 25 juin 2008



Membres ayant été nommés au cours de l'année 2008

Félix B. Ronner

Member of the Group Managing Board, UBS AG

Membre du Conseil d'Administration
depuis le 25 juin 2008

Membres ayant cessé leurs fonctions au cours de l'année 2008

Peter Faes

Managing Director, UBS (Luxembourg) S.A.
Administrateur

Membre du Conseil d'Administration
jusqu'au 25 juin 2008

Hans-Karl Held

Managing Director, UBS AG
Administrateur

Membre du Conseil d'Administration
jusqu'au 25 juin 2008

Gerhard Fusenig

Managing Director, UBS AG
Administrateur

Membre du Conseil d'Administration
jusqu'au 26 novembre 2008



UBS (Luxembourg) S.A.

Andreas Przewloka
Chief Executive Officer
Managing Director

Ulrich Hunziker
Chief Financial Officer
Managing Director

0 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

UBS (Luxembourg) S.A.

Société Anonyme – R.C. Luxembourg B-11142
Registered Office: 33A, avenue John F. Kennedy L-1855 Luxembourg



Circular Resolutions (2009/01)

adopted in accordance with article 11 of the Articles of Association

The Board of Directors of UBS (Luxembourg) S.A. (hereinafter the "Company") hereby
RESOLVES TO ADOPT the following resolution :

Draft Board of Directors' Report to Shareholders, approval of accounts as of December 31, 2008 and proposal for income allocation

- The board members approve the audited annual accounts as of December 31, 2008 (as attached in appendix 1).
- Based on the bank's audited results as at December 31, 2008, the board members suggest the following income allocation:

Net Profit (according to P&L Account)	CHF	207.864.510
Profit Brought Forward from previous year	CHF	127.149
	CHF	207.991.659

Proposed allocation:

Interim dividend paid in December 2008	CHF	138.000.000
Dividend Payment in 2009	CHF	69.900.000
Distribution to Reserves	CHF	0
Profit to be Carried Forward	CHF	91.659
	CHF	207.991.659

- The draft board of directors' report (as attached in appendix 2) is approved for presentation at the General Shareholders Meeting to be held on May 11, 2009. The text after signature by the Chairman and J.F. Sierdo is to be forwarded to the CSSF.

h m m

Arthur Decurtins
Chairman of the board
Place, Date:

ZÜRICH, APRIL 17TH 2009

Felix B. Ronner
Director
Place, Date:

Andreas Przewloka
Director
Place, Date:

28-07-2009



**UBS (Luxembourg) S.A.
Société Anonyme**

**Annual Accounts
and
Report of the Board of Directors
and
Independent Auditor's report
as of
December 31, 2008**

28-07-2009



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INDEPENDENT AUDITOR'S REPORT



To the Board of Directors of
UBS (Luxembourg)
Société Anonyme
Luxembourg

Report on the annual accounts

Following our appointment by the Board of Directors, we have audited the accompanying annual accounts of UBS (Luxembourg) S.A., which comprise the balance sheet as at December 31, 2008 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts. This responsibility includes: designing; implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the "Réviseur d'Entreprises"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "Réviseur d'Entreprises", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "Réviseur d'Entreprises" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.



Report on the annual accounts - continued

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of UBS (Luxembourg) S.A. as of December 31, 2008, and of the results of its operations for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Without qualifying our opinion we draw attention to Note 17 to the financial statements, which makes reference to Madoff related issues and their potential impact on UBS (Luxembourg) S.A. The ultimate outcome of these matters cannot at present be determined. These issues, as set forth in Note 17, indicate the existence of a material uncertainty which, should the underlying risk materialize, may require the Bank to raise additional capital in order to continue as a going concern.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is in accordance with the annual accounts.

ERNST & YOUNG
Société Anonyme
Réviseur d'Entreprises

A handwritten signature in black ink, appearing to read 'Christoph Haas'. The signature is stylized and fluid, with a long, sweeping line extending from the bottom right.

Christoph Haas

Luxembourg, 5 May 2009

April, 23rd 2009

Report of the Board of Directors

Review

2008 was the most challenging year in the history of our bank and the entire financial sector. Over the past months, UBS, as a group, has aggressively managed the challenges of the financial crisis. UBS AG has raised capital from private investors and the Swiss government, cut costs, and substantially cleaned its balance sheet by reducing positions in troubled securities.

Despite the market turmoil and the difficulties our group has faced, UBS (Luxembourg) S.A. achieved solid results, based on a diversified business portfolio, and once more, was honoured as "Best Private Bank 2008" in Luxembourg by Euromoney.

Facing adverse market conditions, UBS (Luxembourg) S.A. was able to achieve revenues of CHF 437 million (-12%). Full year costs were reduced by 14% due to tight cost management. This resulted in a profit of CHF 208 million, which is a respectable result under these economic circumstances. Especially the fourth quarter was difficult, as markets and FX rates decreased substantially. But in spite of a significant decrease in assets under custody, it was also possible to achieve a strong increase in the number of Investment Funds. This success can certainly be attributed to the performance of the Luxembourg financial marketplace, recognized as an international centre of excellence for Private Banking and Investment Funds.

Looking at the current market situation, UBS (Luxembourg) S.A. decreased the number of employees by 4% to reach 446 full time equivalents in Luxembourg. We expanded our business in Belgium with the opening of a new UBS branch office in Ghent. Today, UBS (Luxembourg) S.A. employs over 600 people including our subsidiary in Belgium, and branches in Austria and Ireland.

In relation to the Madoff investment fraud, UBS (Luxembourg) S.A. is responding to inquiries of the Luxembourg regulator Commission de Surveillance du Secteur Financier (CSSF). CSSF has made inquiries concerning two third party funds established under Luxembourg law, the major portion of the assets of which were with Bernard L. Madoff Investment Securities LLC, and which now face severe losses. The two funds were in the magnitude of approx. USD 1.7 billion, although that figure is reflective of the last reported NAV before the revelation of the fraud and therefore likely includes fictitious profit reported by Bernard L. Madoff Investment Securities LLC. The documentation establishing both funds identifies UBS entities in various roles including custodian, administrator, manager, distributor and promoter, and that UBS's employees serve as board members. On 25th of February 2009, the CSSF issued a communiqué with respect to the larger of the two funds, stating that UBS (Luxembourg) S.A. had failed to comply with its due diligence responsibilities as custodian bank. The CSSF ordered UBS (Luxembourg) S.A. to review its infrastructure and procedures relating to its supervisory obligations as custodian bank. Whilst UBS (Luxembourg) S.A. does not agree with the CSSF's conclusion, the Board of Directors nonetheless takes the matter very seriously and has initiated a thorough assessment of all related facts and the processes in place. This assessment is supported by external counsel and will help to decide on the way forward. Against this background, certain alleged beneficiaries of the two funds and of other funds with Madoff related positions are trying to hold UBS (Luxembourg) S.A. (amongst others) liable for losses suffered by them in connection with the Madoff fraud. It is currently not possible to predict the outcome of this contingency. Further details of these claims are contained in note 17 to the accounts.

In 2008, the UBS Luxembourg Group introduced the ICAAP (Internal Capital Adequacy Assessment Process) Framework, which ensures that risks are managed in relation to capital hold. The ICAAP framework is supervised by the Management Committee and by the Board of Directors.

On October 1st, 2008, after almost 4 years with UBS (Luxembourg) S.A., Juergen Gerber handed over his duties as Chief Financial Officer of UBS (Luxembourg) S.A. to Ulrich Hunziker.

On April 1st, 2009, CEO José F. Sierdo handed over his duties to Andreas Przewloka, currently board member of UBS (Luxembourg) S.A. and UBS Fund Services (Luxembourg) S.A.

Peter Faes, Gerhard Fusenig and Hans-Karl Held have resigned during 2008 as members of the Board of Directors. In June 2008, Felix B. Ronner joined the Board.



Profit and Loss Account

In the year 2008, total net revenues amounted to CHF 437.5 million, compared to CHF 497.4 million in 2007. Commissions and fees contributed the main portion to overall revenues and decreased by 17% over the previous year. Despite the weak market conditions, net income of interests increased by 14%. General administrative expenses decreased from CHF 172.7 million in 2007 to CHF 140.6 million in 2008 as a consequence of the decrease in headcounts and the stringent cost control in both Austria and Luxembourg locations. After deduction of depreciation and other operating expenses a profit before tax of CHF 250.7 million was reported. The net profit, after income tax of CHF 42.8 million, amounts to CHF 207.9 million. This total compared to CHF 274.9 million in the previous year represents a reduction of 24 %.

Regarding the profit allocation of the year 2007, the Board of Directors proposed the payment of a dividend of CHF 275 million and a reduction of CHF 0.1 million of retained earnings. The General Assembly as of May 13th, 2008 however decided to allocate CHF 150 million to the reserves and the payment of dividends of an amount of CHF 125.25 million out of the profit 2007.

As of end of year 2008, the Board of Directors proposed a prepayment of dividends of CHF 188 million, whereof CHF 50 million have been removed out of the reserves and CHF 138 million have been prepaid out of the profit for the financial year 2008. A circular resolution of the shareholders as of December 12th, 2008 approved this proposal of the Board of Directors.

Balance Sheet

Client asset outflow with related cash positions and fewer short-term loans granted to third parties led to a balance sheet decrease of 18 % during 2008. Total assets amounted to CHF 19.7 billion (CHF 25.1 billion as of 31.12.2007). The transferable debt securities decreased from CHF 223.3 million to CHF 96.6 million as at December 31, 2008.

Liabilities owed to customers decreased by CHF 5.3 billion. In direct relation to customer loans, the Bank has outstanding bond structures of CHF 2.7 billion as of year-end 2008.

As of 31 December 2008, the Bank's subscribed capital and reserves stood at CHF 660.1 million. 2007 profit was allocated as follows: CHF 125.25 million in the payment of dividends, CHF 150 million as a reserve and CHF 0.1 million as profit to be carried forward.

Except for the evolution of the "Madoff case", which is described above in the review part, no other significant events took place until now, after December 31, 2008.

As of December 31, 2008, the Bank has not acquired any of its own shares.

Proposal of the Board of Directors to the General Meeting

The Board of Directors recommends that the financial statements for 2008 be approved and that the amount of CHF 207.9 million available to the General Meeting be allocated as follows:

- Net profit according to Profit & Loss Account	CHF	207,864,510
- Profit brought forward from previous year	CHF	127,149
	CHF	207,991,659
Proposed allocation:		
- Dividend prepayment in 2008	CHF	138,000,000
- Dividend payment in 2009	CHF	69,900,000
- Distribution to reserves	CHF	0
- Profit to be carried forward	CHF	91,659
	CHF	207,991,659



Risk Management

The different risk categories of the Bank are monitored through various tools, committees and reports. The risks are monitored in first instance by the Risk Management Support Functions and independently by the Risk Control Department. A Risk Committee chaired by the CFO and the risk managers takes place on a monthly basis to monitor the risks identified.

On a monthly basis, Risk Control produces a risk report summarising all the major risks identified with risk owner and deadline for solving the issue. This report is submitted to the Management Committee for discussion and approval. Checks, limits and controls have been put in place to control the Bank on a daily basis, according to the Risk Management and control principles set-up by the UBS Group. All Management controls are also entered into the local Control Tool and regularly monitored by Risk Control. A complete set of policies regulates the businesses conducted by the Bank.

Finally the Bank has set-up an Operational Risk Framework and a semi annual self-certification process in order to ensure that all the risks are properly managed and controlled, and compliant with the Sarbanes Oxley Act (SOX Section 404). All risks are tracked and monitored in the Risk Inventory tool set-up by Risk Control and all operational gains or losses are input in a specific application for adequate follow-up.

Independent Controls and Risk Assessments have been standardized and introduced to the Risk Control function in 2008. Those assessments are documented in the Activity Map Tool, respectively those Controls in the Global Key Control Tool.

The UBS (Luxembourg) S.A. credit activity mainly covers the Traditional Wealth Management business and the Investment Funds. The credit instruments related to these businesses are mainly Lombard Loans and guarantees. These are done solely on a collateralised basis (cash, securities). These credit activities and the corresponding collaterals are monitored on a daily basis, checking that the collateral coverage is sufficient (haircuts re UBS Group) and that their diversifications are also respected. Therefore, the Bank has conservatively decided to use the Pillar 1 standardised approach as its quantification for the credit risk under Pillar 2. As per 31.12.2008, the capital allocated for credit risk represented CHF 431,963,920.

In 2008, UBS (Luxembourg) S.A. for the first year introduced the Internal Capital Adequacy Assessment Process (ICAAP) related to the Pillar 2 of Basel II. This process enables the bank to manage its internal capital adequacy in relation to its internal risks. The result of the ICAAP implementation is documented in an ICAAP report approved by the Management Committee and by the Board of Directors.

The approach retained by UBSL to evaluate its internal capital is the "Pillar 1 plus" approach. The basic rule of this approach is that for each of the three risk categories which exist under Pillar 1 and Pillar 2 (i.e. credit risk, market risk and operational risk), the higher evaluation between Pillar 1 and Pillar 2 is taken.

The second rule relating to this approach is that, additionally to the sum of the three risks mentioned in the previous paragraph, Business risk, Reputation risk and Liquidity risk are to be quantified.

The methodologies and approaches retained for the management of risks within UBSL are described in a fully dedicated document named "Risk Handbook". A summary of the approaches taken for the main risk categories are described in the disclosure according to Basel II Pillar 3.

Liquidity and funding risks

UBS (Luxembourg) S.A., as part of UBS Group, is fully integrated into the UBS Group framework for liquidity and funding risk. The overall funding strategy is based on nine core principles such as diversification of funding sources, minimizing funding costs and exposure to roll-over risk, the centralized management and the need of maintaining adequate secured funding capacity and sufficient "cash-capital". Besides, it was agreed on the principles to perform scenario analysis under stressed market conditions, to maintain franchise value of core client funding and obtaining liquidity support.

The general liquidity status of the Group is overseen by Group Treasury.



There is strong evidence that all these goals are best supported by a centralization of the funding and risk management processes. The central treasury approach means that both market risk limits and market access in relation to these processes are restricted to a limited number of treasury functions. This is why the liquidity and funding risk approach are managed by UBS (Luxembourg) S.A. and supported by the Group, while fully benefiting from the central UBS Group procedures.

During 2008, the liquidity ratio of the Bank slightly increased from 76.5%, as of December 31, 2007, to 77.26% as of December 31, 2008, exceeding the required minimum of 30%.

The solvency ratio was 10.72% as of December 31, 2008.

As of December 31, 2008, UBS (Luxembourg) S.A. did not have any subordinated loans.



Credit risk

In its credit business, the Bank maintains a strict policy in selecting its various credit clients and counterparties, focussing primarily on Wealth Management clients as well as Institutional Funds. All credits are granted in accordance with applicable policies approved locally or globally. In general, Lombard loans and other credit exposures are secured by assets pledged in favour of the Bank. Pledged assets always require a lending value covering the Bank's commitment. The lending value assigned to client assets is daily re-valued by the Bank and margin calls are initiated when required. To ensure proper segregation of duties, the limits for the uncommitted credit facilities are approved and reviewed on regular basis by an independent department. Within the rules of a dedicated system in place, Client Advisors can handle themselves standard Lombard facilities up to a limited credit amount. The monitoring of all limits and client exposures in the system is performed daily by the respective unit within the monitoring framework. All drawings and payments are based on the 'four eyes' principle. Additional credit risk is related to "commercial Loans", which are provided very selectively against cash collateral held with the Bank. UBS also performs securities lending operations for investment funds and large customers by acting as an agent. Commitments towards UBS Group entities represent a significant part of the total credit exposure.

2008, compared to year end 2007, the credit risk amount, as defined by the Bank's standard, resulting from Lombard loans to traditional Wealth Management clients and Funds reduced from CHF 3,624 billion to CHF 2,577 billion, whereas the exposure related to guarantees and margin exposure for foreign exchange and Exchange traded products increased from CHF 706 million to CHF 901 million.

Specifically, the drawings under the liquidity facilities for the more than 400 Institutional (Sub) Funds were fluctuating throughout the year in line with the underlying business needs, but remained overall stable, only exceptionally exceeding CHF 1 billion. In contrary the Institutional Fund of Hedge Funds temporarily increased their utilization substantially in light of the September / October Market events resulting from a high volatility of the exchange rates with impact on the open currency hedge transactions and the liquidity needs to finance substantial redemption requests. However, these Funds managed to halve the respective exposure for end of the year numbers.

During this difficult market situation the Bank was also required to issue a number of margin calls or even to close out several of its Wealth Management clients and due to the extraordinary high market volatility and temporarily tightening market liquidity, not all clients in collateral shortfall could be successfully closed out timely to cover the credit exposure by the collateral market values. This resulted for two clients in total provisions amounting to CHF 1.25 million. In December, additional provisions had to be established in December for loans collateralized by "Madoff" managed Funds.

Market risk

The Bank has limited exposure with very limited FX and interest rate limits. The main task of the trading desk is to handle execution of client orders. The Bank deals in all financial products requested by clients and matches respective product with the brokers that are approved and monitored by UBS AG. In addition, the Bank is engaged in routing as many as possible orders for execution to UBS AG, in accordance with the Bank's MiFID (Markets in Financial Instruments Directive) Best Execution policy. A small business inventory limit is in place to enable a minimal handling space for the daily flows.

As at December 31, 2008, the Bank held a bond portfolio of CHF 96.6 million completely hedged with identical notes issued by UBS (Luxembourg) S.A. Nevertheless, none of these positions are trading positions, as the bank does not actively manage a proprietary trading book. Due to the limited FX and sensitivity limits

available to the Bank, almost all money market and foreign exchange exposures are refinanced / hedged with UBS AG.

As of 31 December 2008, the Bank had an approved sensitivity limit of CHF 30,000 per basis point, with an utilisation of the sensitivity limit of CHF 12,049 per basis point, representing 40% of the limit. The interest rate stress test scenario of +200bp had an effect of CHF -2,381,674, whereby the scenario of -200bp had an effect of CHF 2,432,320. The sensitivity is part of the global UBS limit framework and is controlled daily on a local and group wide basis. The Bank has also a small FX spot limit of CHF 3 million intraday and CHF 1.5 million overnight (limited to single currency positions of CHF 200,000). These positions are monitored daily by the Risk Control Department and all overdrafts must be justified.

As a matter of principle, no derivative instruments are used for proprietary trading or leveraging purposes. All OTC transactions are executed through UBS AG. The main purpose of derivatives held by the Bank is to cover derivative transactions made by the Bank on behalf of its clients and to hedge interest rate risks.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external causes (deliberate, accidental or natural). The losses may be direct financial losses, or indirect, in the form of revenue forgone as a result of business suspension. They may also result from damage to our reputation and our franchise, which have longer term financial consequences.

Unlike credit and market risks, operational risks are not risks that are actively entered into (only during a new business initiative) but, rather, risks that arise as a consequence of our business activity. The operational risk is composed of the following categories: transaction processing risk, compliance risk, legal risk, liability risk, security risk and tax risk.

In order to manage Operational Risk at group level, but also to comply with a number of fundamental regulatory requirements, most notably the new Basel capital accord (Basel II) and the Sarbanes-Oxley Act section 404, UBS Group designed and implemented an Operational Risk Framework (ORF).

All the risks detected in the context of the ORF are tracked and monitored within the Operational Risk Inventory. Furthermore, all operational gains and losses must be entered into a monitoring tool and properly approved by the management and by Risk Control.

The Board of Directors of UBS (Luxembourg) S.A. has initiated a thorough review of its custodian systems and processes in order to reconfirm compliance with the applicable regulatory rules.

Provisioning levels as per circular CSSF 08/386

As at December 31, 2008, the Bank held a general provision available for potential liabilities under the guarantee (A.G.D.L.) amounting to CHF 3,215,556 (2007: CHF 4,297,223). The amount is included in the balance sheet under "Provisions".

As per reference to the circular CSSF 08/386 payments of CHF 1,732,562 have been booked against the provision and a supplementary provision of CHF 650,895 has been recorded in the year 2008.

The lump-sum provision as of December, 31 2008 ends up with a balance of CHF 7,457,579 (2007: CHF 35,173,034). The decrease of the provision is mainly due to collaterals negatively impacted by the potential 'Madoff' fraud. (CHF 26,465,455)

Activities of UBS (Luxembourg) S.A.

The main business streams of the bank can be divided into 4 main pillars;

The traditional wealth management business: this area represents the root of our business in Luxembourg. Our client advisors specialising in advice for clients living in geographical areas as Belgium, the Netherlands, France, Germany, United Kingdom, Middle-East, Scandinavia or Switzerland are well trained to provide wealth management solutions. In addition, Financial Intermediaries will find at UBS a vast array of products



and services to cater for their need. Dedicated services are offered to Financial Intermediaries from Benelux and Switzerland.

The tailor-made structured solutions for key clients: dedicated solutions are worked out to suit the need of ultra-high net worth individuals. The tailor made solutions include amongst other services personalised SICAV structures and consolidated asset and performance reporting.

The custodian bank: performs the custody Bank activities for UBS and third party investment funds booked in Luxembourg and other locations. The longstanding experience and streamlined as well as automated processes enable an efficient processing of securities.

The service hub: leverages mainly operations and information technology of UBS (Luxembourg) S.A. and makes these services available to other entities of UBS Group. By far, the most significant outsourcing activity lies with Locations Belgium and Austria, where both capitalize on the IT platform, operations and support functions provided.

A healthy balance of priorities and resources allocated to these 4 areas helps to develop new activities without jeopardising our well-established business lines.

Subsidiaries and branches of UBS (Luxembourg) S.A.

In December 2008, UBS (Luxembourg) S.A. operated three banking units. The risk framework of UBS Belgium SA/NV, UBS (Luxembourg) S.A. Austrian Branch and UBS (Luxembourg) S.A. Dublin Branch, is based on the same standards as those applicable to the Bank. All three locations have implemented a properly working Local Risk Control Committee and are monitored by Risk Control Luxembourg. UBS Belgium SA/NV and UBS (Luxembourg) S.A. Austrian Branch have their treasury operations carried out by the Bank in Luxembourg. Both entities have small FX spot and sensitivity limits (respectively a FX spot limit of EUR 300,000 and CHF 400,000 and a sensitivity limit of CHF 500 per basis points for each entity). These limits are monitored on a daily basis.

Social and environment

UBS Luxembourg is committed to a set of fundamental social and environmental values, and is convinced that by adopting those principles - "human rights", "labour standards", "environment" and "anti-corruption" - not only contributes to its stated objective, but also creates value for its shareholders. Within the principle of human rights we assure that our business will support and respect the protection of internationally proclaimed human rights within their sphere of influence and make sure that they are not complicit in human rights abuses. Also UBS (Luxembourg) S.A. is committed to Labour Standards to uphold the freedom of association and the effective recognition of the right to collective bargaining, to force the elimination of all forms of forced and compulsory labour and eliminate discrimination in respect of employment and occupation. Related to Environmental issues we align our business to support a precautionary approach to environmental challenges, undertake initiatives to promote greater environmental responsibility and encourage the development and diffusion of environmentally friendly technologies. Finally we strongly agree on Anti-Corruption guidelines, to work against all forms corruption including extortion and bribery.

We also seek to pursue opportunities in the financial market for environmentally-friendly products and services, such as Socially Responsible Investments (SRIs). We offer a variety of SRIs to our environmentally and socially engaged customer base.

We are committed to providing an environmentally safe work place to our staff, and to actively seeking ways to reduce our direct environmental impact on air, soil and water from in-house operations, with a primary focus on reducing greenhouse gas emissions. The major areas where UBS Luxembourg has a direct impact are, in order of importance, energy consumption, business travel, paper consumption, and waste. We will seek to assess the environmental impact of our suppliers' products and services, and to engage with them whenever necessary to limit environmental risks.



Outlook

The financial industry is changing rapidly and the financial sector needs to adjust its businesses to operate profitably and generate sustainable earnings. In light of this, UBS AG has replaced the Global Wealth Management & Business Banking division with two new business divisions; Wealth Management & Swiss Bank and Wealth Management Americas. The new structure will further help to focus on the UBS Group top priority: delivering first-class service to our clients.

2009 is expected to be a difficult year and a year of consolidation. The financial market conditions remain fragile. Although governments taking measures to ease fiscal and monetary conditions, company and household cash flows continue to deteriorate.

Our outlook therefore remains cautious, facing an ongoing decrease of our client's asset base and revenues. UBS (Luxembourg) S.A. will pursue managing our business in a disciplined fashion, while continuing to deliver outstanding services to our clients and will continue its program to maintain its financial position through continuing cost cautiousness. Having experienced over the years increasing growth, it is time to execute on our strategy and ensure we have a solid and scalable base to sustain future development. Looking ahead, our efforts will focus on restoring client and employee confidence.

The Board of Directors and the Executive Board members of UBS (Luxembourg) S.A. would like to take this opportunity to thank all our clients for their trust and loyalty as well as the staff members for their continuing support.



Arthur Decurtins
Chairman of the Board
UBS (Luxembourg) S.A.

Andreas Przewloka
Member of the Board and Chief Executive Officer
UBS (Luxembourg) S.A.



UBS (Luxembourg)
Société Anonyme

Balance Sheet
December 31, 2008
(expressed in Swiss francs)

A S S E T S	2008	2007
Cash, balances with central banks and post office banks	351,508,349	418,814,580
Loans and advances to credit institutions (Notes 3, 4)	15,097,055,502	18,899,259,147
a) repayable on demand	8,496,710,969	10,689,725,912
b) with agreed maturity dates or periods of notice (Note 4)	6,600,344,533	8,209,533,235
Loans and advances to customers (Notes 3, 4)	3,924,832,908	5,060,642,759
Debt securities and other fixed-income transferable securities (Note 5)	96,621,523	223,300,485
a) issued by credit institutions	4,221,225	72,446,445
b) issued by other borrowers	92,400,298	150,854,040
Shares and other variable-yield securities (Note 5)	9,819	121,293
Shares in affiliated undertakings (Notes 3, 6)	33,925,986	37,664,285
Intangible assets (Note 6)	2,179,859	5,506,875
Tangible assets (Note 6)	40,258,590	42,578,348
Other assets (Note 7)	17,698,682	38,809,913
Prepayments and accrued income	152,269,611	378,569,003
Total Assets	19,716,360,829	25,105,266,688

The accompanying notes form an integral part of the annual accounts.

28-07-2009



LIABILITIES

2008

Amounts owed to credit institutions	2,731,250,866	1,768,292,759
(Notes 3, 8)		
a) repayable on demand	100,449,857	706,031,027
b) with agreed maturity dates or periods of notice (Note 8)	2,630,801,009	1,062,261,732
Amounts owed to customers (Notes 3, 8)	13,396,504,123	18,687,672,221
Other debts		
a) repayable on demand	8,230,162,701	11,242,393,657
b) with agreed maturity dates or periods of notice (Note 8)	5,166,341,422	7,445,278,564
Debts evidenced by certificates (Note 8)	2,674,352,367	3,303,815,616
Bonds issued	2,674,352,367	3,303,611,564
Other debt securities	0	204,052
Other liabilities (Note 9)	35,784,230	52,046,647
Accruals and deferred income	123,736,415	357,112,579
Provisions	24,601,169	25,809,717
a) Provisions for taxation	15,636,495	16,958,017
b) Other provisions (Notes 10, 18)	8,964,674	8,851,700
Subordinated liabilities (Notes 3, 11)	0	75,000,000
Shareholders' equity (Note 14)	730,131,659	835,517,149
a) Subscribed capital (Note 12)	150,000,000	150,000,000
b) Reserves (Note 13)	510,140,000	410,140,000
c) Profit brought forward	127,149	506,781
d) Interim dividends	-138,000,000	0
e) Profit for the financial year	207,864,510	274,870,368
Total Liabilities & Shareholders' equity	19,716,360,829	25,105,266,688
	=====	=====

OFF - BALANCE SHEET

Contingent liabilities (Notes 3, 18)	198,951,416	107,006,010
<i>of which:</i>		
- Guarantees given	198,951,416	107,006,010
Commitments (Note 18)	427,823,227	0
<i>of which:</i>		
- Loan Commitments given	427,823,227	0
Fiduciary transactions (Note 18)	3,100,291,202	1,258,138,884

UBS (Luxembourg)
Société Anonyme

Profit and Loss Account
For the financial year ended December 31, 2008
(expressed in Swiss francs)



C H A R G E S	2008	2007
Interest payable and similar charges	912,243,949	974,975,222
Commission payable	17,967,657	25,478,799
General administrative expenses	140,652,511	172,695,167
a) Staff costs (Note 23)	105,600,302	111,299,471
Of which: - wages and salaries	85,613,799	95,281,326
- social security costs	10,198,343	11,050,760
of which: relating to pensions	8,986,607	8,648,636
b) Other administrative expenses	35,052,209	61,395,696
Value adjustments in respect of tangible and intangible assets	10,200,792	7,576,329
Other operating charges (Note 19)	6,574,218	3,311,453
Value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments (Note 25)	29,330,719	0
Value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	3,882	0
Tax on profit on ordinary activities (Note 19)	42,820,488	38,934,543
Profit on ordinary activities after tax	207,864,510	274,870,368
Extraordinary result	0	0
Tax on extraordinary result	0	0
Other taxes not shown under the preceding items	0	0
Profit for the financial year	207,864,510	274,870,368
	1,367,658,726	1,497,841,881

The accompanying notes form an integral part of the annual accounts.

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28-07-2009

UBS (Luxembourg)
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Profit and Loss Account (continued)
For the financial year ended December 31, 2008
(expressed in Swiss francs)



INCOME	2008	2007
Interest receivable and similar income	1,012,766,084	1,063,152,880
<i>of which: income from debt securities and Other fixed-income securities</i>	5,748,359	3,748,106
Income from securities	90	3,055
<i>of which: income from shares and other variable- yield securities</i>	90	55
<i>of which: income from shares in affiliated undertakings</i>	0	3,000
Commission receivable	296,936,406	360,358,881
Net profit on financial operations	26,339,406	26,768,957
Value re-adjustments in respect of loans and advances and provisions for contingents liabilities and commitments (Note 26)	27,715,455	0
Value re-adjustments in respect of transferable securities held as financial fixed assets, participating interest and shares in affiliated undertakings	0	174,193
Other operating income (Note 19)	3,901,285	47,383,915
Income from the reversal of amounts included in the fund for general banking risks	0	0
	<hr/>	<hr/>
	1,367,658,726	1,497,841,881
	=====	=====

UBS (Luxembourg)
Société Anonyme

Notes to the Annual Accounts
December 31, 2008



Note 1 - General

Union de Banques Suisses (Luxembourg) S.A. was incorporated as a "société anonyme" in the Grand-Duchy of Luxembourg on August 20, 1973. On May 29, 1998, as a consequence of the worldwide group merger process, Union de Banques Suisses (Luxembourg) S.A. and Swiss Bank Corporation (Luxembourg) S.A. decided to merge. Union de Banques Suisses (Luxembourg) S.A. absorbed Swiss Bank Corporation (Luxembourg) S.A., which became retroactively effective from an accounting point of view on January 1, 1998. The merged entity changed its name to UBS (Luxembourg) S.A. ("the Bank").

As of August 31, 2002, the merger between UBS (Luxembourg) S.A. as absorbing company and Banque Ferrier Lullin (Luxembourg) S.A. as absorbed company became effective.

The Bank has opened a branch in Vienna, Austria, in May 2003 and a branch in Dublin, Ireland, in December 2005.

The main activities of the Bank are wealth management, structured solutions for key clients, custodian bank services and the service hub, that provides services to other UBS Group entities.

Consolidation

The Bank is a wholly owned subsidiary of UBS AG, which is incorporated in Switzerland. The annual accounts of the Bank are included in the consolidated financial statements of the UBS AG, which are available at UBS AG, P.O. Box, CH-8098 Zurich, Switzerland.

As per article 82 of the law of 17 June 1992, the Bank is exempted to prepare consolidated accounts and a consolidated report of Board of Directors.